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KUWAIT SURVEY
Laying foundations for the future
Section III

World News

Bundesbank told to keep out of single market plans

THE EC's internal market commissioner, Martin Bangemann, told Germany's Bundesbank to stop casting doubt on the Commission's ability to establish a single market by January 1.

Mr Bangemann, Germany's senior commissioner, is himself a stern critic of member states' sluggishness in implementing single market legislation and abolishing frontier controls. Page 2

New Nato role urged
Nato, which is seeking a new role for itself following the end of the cold war, could become the military arm of the recently expanded 48-nation pan-European security forum, a US official suggested. Page 2

Arms traffickers jailed
Five Iraqis convicted in Rome of running an arms trafficking ring which sent anti-tank cluster bombs from Italy to Iraq were each jailed for four years.

N Korea 'almost nuclear'
CIA director Robert Gates said North Korea could have a nuclear weapon within a few months.

Schoolchildren strike
Portuguese high school pupils went on strike for a day to demand the scrapping of a university entrance examination they claim is elitist.

20m bogus voters
Nigeria has removed 20m fictitious names, equivalent to a fifth of the population, from its voters' list, which is being updated for presidential elections at the end of the year.

Lorries stuck at border
Some 2,000 lorries were held up at the Spanish-French border by a 36-hour strike of customs workers protesting against job cuts after Europe's frontiers open next year.

Taiwan threat to rhinos
The World Wide Fund for Nature accused Taiwan of permitting trade in rhino horns which, it says, endangers the existence of the rhinoceros.

UK's new law chief
Sir Peter Taylor is to replace Lord Lane as Britain's lord chief justice in April. Sir Peter, 61, was appointed a lord justice of appeal in 1988. In 1989 he chaired the inquiry into the Hillsborough football stadium disaster. Picture, Page 6

Killings condemned
The Philippine government should stop unlawful killings by its security forces, according to Amnesty International. It says that at least 550 unarmed people have been killed by government-backed forces since 1988. Page 4

Arms spending to rise
Sweden is to increase its defence spending at a time when most European countries are cutting their military budgets. Page 2

Paternoster move
Environment secretary Michael Heseltine called in the planning application to redevelop Paternoster Square, the controversial site next to London's St Paul's Cathedral, taking the decision on the area's future away from the Corporation of London.

Private road plan axed
The UK government scrapped plans for a privately funded road between Birmingham and Manchester. Instead, the M6 will be widened to four lanes in each direction.

Bligh's picture for sale
The only known portrait of the Bounty's captain, William Bligh, painted by John Webber in 1776, is expected to fetch up to £150,000 at Sotheby's in London on April 8.

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Business Summary

Unilever cautious despite £10m profits rise

Unilever, Anglo-Dutch food and consumer products group, reported a £10m increase in full-year pre-tax profits to £1.79bn ($3.13bn) after seeing an 8 per cent rise in the fourth quarter to £475m.

In spite of the improved final quarter figure, which compares with £438m a year ago, Sir Michael Angus, chairman, was cautious about immediate prospects. Page 15

BRITISH AEROSPACE is holding talks with Japan's three leading aerospace companies over a possible partnership in its BAe 146 regional jet programme. The three are Kawasaki Heavy Industries, Fuji Heavy Industries and Mitsubishi Heavy Industries. Page 14; Airbus dispute, Page 3; BAe pursues helicopter contract, Page 7

GENERAL Electric Company: The UK company's researchers have discovered a new "high-temperature superconductor" which may be suitable for large-scale applications such as cables that could carry electricity for hundreds of miles without losing energy. Page 14

ELF AQUITAINE, acquisition-hungry French oil group, has bought British Petroleum's refining and marketing businesses in West Africa and Tunisia, boosting its position in the region. Page 15

PERRIER: French police are investigating suspected irregularities over the sale of a stake in the mineral water group to Saint Louis, sugar group allied to Italy's Agnelli family. Page 15

AER LINGUS: A possible fine on the Irish national carrier for refusing to grant reciprocal ticketing rights to British Midland, UK airline, is to be considered by the European Commission today. Page 2

JAPAN will announce tariff cuts on a range of industrial items in imminent multilateral negotiations, but has apparently decided not to replace its rice import ban with a new tariff schedule. Page 3

GERMAN ECONOMY: For the first time in three years, more German companies expect business conditions to get worse than to get better. Page 2

JAPAN'S Fair Trade Commission has concluded that the country's six biggest corporate groups are becoming less reliant on in-house dealings and their extensive cross-shareholdings do not lead to exclusionary business practices. Page 3

PORSCHE: The emergency meeting of the supervisory board of Porsche succumbed to an ultimatum from Arno Bohn, the chief executive, and agreed "unanimously" to extend his contract for another three years. Page 16

EUROPEAN Commission is expected to launch an investigation into what it believes are unduly generous terms on which the Dutch government admitted Mitsubishi of Japan as a shareholder into Volvo of The Netherlands. Page 2

CARMAKING: EC complaints that Poland plans to discriminate in favour of imports from certain Community carmakers are threatening to delay implementation of a EC-Poland free trade pact. Page 3

BANK OF JAPAN faced renewed calls for a cut in interest rates following the publication of a government report acknowledging a further deterioration in the state of the economy. Page 4

HYUNDAI: The founder of South Korea's giant group, who has launched a party to challenge president Roh Tae-woo's government, blamed the government for the financial woes of the group's subsidiaries. Page 4

Confidential plan for occupied territories dismays Arab delegates

Israel demands permanent right of settlement

By Roger Matthews and Lamis Andoni in Washington

ISRAEL has presented Arab delegations at the Middle East peace talks with a plan for Palestinian self-rule under which Israelis will have the right to live and settle in the occupied territories indefinitely.

The hard-line Israeli proposal, which is understood to have been put forward on Monday, falls far short of the arrangements that Israel agreed to 10 years ago.

Arab delegates said yesterday they were dismayed both by the content and the tone of the document. They said it indicated that Israel, far from wishing to allow genuine Palestinian self-rule, was determined to tighten its control over the occupied territories.

While they recognise that the latest plan is part of a tough Israeli negotiating stance, some Arab delegates question how much longer they can remain involved in the Middle East peace process.

"While the settlements are going on, while the bulldozers are levelling our land, it is very clear that Israel is trying to dig the grave of the peace process," Palestinian spokeswoman Hanan Ashrawi said.

The US has avoided commenting on the details of the negotiations, but Mr James Baker, the secretary of state, will take little comfort from these latest Israeli proposals.

Israel worries about future US pressure..............Page 4

Mr Baker announced on Monday that Israel would only be granted the $10bn in loan guarantees it has requested if it agrees to stop building new settlements in the West Bank, Gaza and Golan Heights.

Under agreements negotiated between Israel, the US and Egypt at Camp David in 1978, and at subsequent meetings, it was agreed that the Palestinians should enjoy "full autonomy" for a five-year period before the final status of the territories was negotiated.

Israel also proposed at Camp David to end its military government and withdraw its forces to specified security zones following free elections for a self-governing Palestinian authority. The Palestinians were to be given a large measure of responsibility for managing their own affairs.

In the latest, confidential Israeli proposals outlined to the US and the Arab delegations, Israel:

- Has dropped any suggestion of a redeployment of the army.
- Makes no mention of an elected authority.
- Insists that it will have sole responsibility for security in all its aspects.

In addition, Israel stresses that self-rule will apply only to people, not to land; that all existing links between Israel and the occupied territories will remain; and that there will be full "co-operation and co-ordination" between the interim self-governing authority and the Israeli government.

The Palestinian body would not have any authority over Israelis living in the occupied territories nor for Arabs living in east Jerusalem.

The Palestinians have demanded the withdrawal of Israeli forces.

Mr Yosef Ben-Aharon, the leader of the Israeli delegation, insisted on Monday that Israel was committed to the Camp David agreements, although "not every word was still applicable".

Recalling the opposition of Arab governments to the Camp David agreements, he said Israel had brought experts to Washington who were prepared to provide an analysis of some of the dozen issues dealt with in those accords such as justice, agriculture, education, transport and municipal affairs.

Mr Ben-Aharon said: "Rather than build a whole edifice from the outset we are going to concentrate on these issues, one by one, and see what every issue entails."

Palestinian spokeswoman Hanan Ashrawi: "It is clear that Israel is trying to dig the grave of the peace process"

Consumer confidence in US lowest for 17 years

By Michael Prowse in Washington

US consumer confidence dropped sharply this month to the lowest level since 1974, raising fresh doubts about the outlook for economic recovery. The news was a blow to President George Bush, who is on the campaign trail trying to win support from disgruntled middle-income voters.

The Conference Board, a New York-based business consultancy group, said its widely followed index of confidence fell to 46.3 from a revised 50.2 in January, the fifth consecutive monthly decline.

Confidence is more than 30 points below the levels recorded during last summer's sputtering recovery and well under half the level that would indicate a strong economy.

Mr Alan Greenspan, the Federal Reserve chairman, yesterday repeated his prediction that the business climate would improve shortly. But, testifying before the Senate Banking Committee, he was distinctly less upbeat than in testimony last week.

The confidence figures were "quite disturbing", he said. The Fed had to be "particularly sensitive to signs that the anticipated strengthening in business activity is not emerging and be prepared to act should the need arise".

Mr Greenspan said signs of recovery should not be exaggerated and warned that the incipient recovery "could peter out, as indeed the much more vigorous recovery of last spring petered out".

Senator Donald Riegle, the Democrat chairman of the banking committee, called for a more aggressive monetary policy. "I think you are too passive," he told Mr Greenspan.

On Wall Street, the dismal confidence figures and Mr Greenspan's more bearish remarks renewed hopes that the Fed might cut interest rates again. The long bond was up over half a point at midday, having initially surged higher on the release of the confidence figures. Shares fell on fears that the recovery would be further delayed. The Dow Jones Industrial Average closed at 3,257.83, down 24.59.

Continued on Page 14

Lex, Page 14
Government bonds, Page 18
World stocks, Page 34

Tokyo stock losses scandal emerges

By Stefan Wagstyl in Tokyo

JAPAN'S Ministry of Finance is examining disclosures that stockbrokers manipulated losses on client portfolios to help the customers window-dress their accounts.

The affair could further erode investors' faith in the Japanese stock market, which was last year hit by scandals involving brokers' links with gangsters and the payment of compensation to favoured clients. Although the Nikkei index rose yesterday by 52 points to 21,025.55, securities companies' stocks fell.

The ministry's probe will centre on accounting practices which have brought significant losses to some brokers, among them Cosmo Securities, a medium-sized company. Cosmo's chairman and vice president have resigned to take responsibility for a Y36bn ($279m) loss, which has wiped out about a third of Cosmo's shareholders' capital.

Daiwa Securities, one of the Big Four companies, and Yamatane Securities, another medium-sized house, have also disclosed similar disputes over portfolio losses with clients. Daiwa has settled a dispute with Tokyo Land, a leading real estate group, by paying out Y3.5bn. Yamatane is still negotiating with two clients over a claim for Y690m.

Brokers say disclosure of similar cases in the next few months is inevitable, particularly with many companies closing their books at the end of the financial year in March.

Mr Tsutomu Hata, finance minister, told journalists yesterday that following last year's arguments over the payment of loss compensation it was over-optimistic to think that disputes between brokers and clients had ended.

The latest disclosures involve brokers transferring lossmaking stock portfolios from one client to another to help the first client window-dress annual accounts. The second client accepts the portfolio in return for a fee and a guarantee that the broker will buy back the portfolio.

In the past, such portfolios were transferred from one client to another, with few hiccups. By using clients with different book-closing dates, brokers could keep the network going for a long time in the hope that a recovery in stock prices would pull the portfolio out of the red.

Although such window-dressing is frowned upon by the Finance Ministry, brokers were under great pressure from clients. In some cases, they may also have felt obliged to arrange repurchase agreements because of no-loss guarantees given to the original clients. In other words, brokers window-dressed client accounts to save their own as as well as the customers' skins.

However, the transactions seem to have run foul of the revision of the Securities and

Continued on Page 14

Former premier tells of Y10m gift, Page 4

S African Conservatives urged to reject reforms

By Patti Waldmeir in Cape Town

SOUTH AFRICA'S pro-apartheid Conservative party yesterday urged its supporters to reject political reform, and vote "no" in next month's whites-only referendum.

Mr Andries Treurnicht, the Conservative leader, said the party's leadership council had wished to boycott the poll, but rank and file members of the parliamentary caucus had outvoted them. The party met for several hours on Monday night and all day yesterday to resolve the dispute over participation.

Mr Treurnicht seemed subdued when announcing the start of the "no" campaign in a radio broadcast. He referred several times to the possibility that the Conservatives might lose the referendum, an outcome which would have the gravest political consequences for the party.

"If we lose, this is not the end of the political war in South Africa," he said, adding, "there is still a white nation

Stark choice for white voters ....Page 4

that cannot be wished away." Asked whether his party expected to win the poll, Mr Treurnicht said only that victory would be "difficult, but it is possible".

The Conservatives know they cannot count on a united rightwing front in the referendum campaign, which may also explain their reluctance to participate. Yesterday the leader of the largest rightwing splinter group, the neo-Nazi Afrikaner Weerstandsbeweging (AWB), or Afrikaner Resistance Movement, Mr Eugene Terre Blanche, said it would do all in its power to stop South Africa's 3m whites voting.

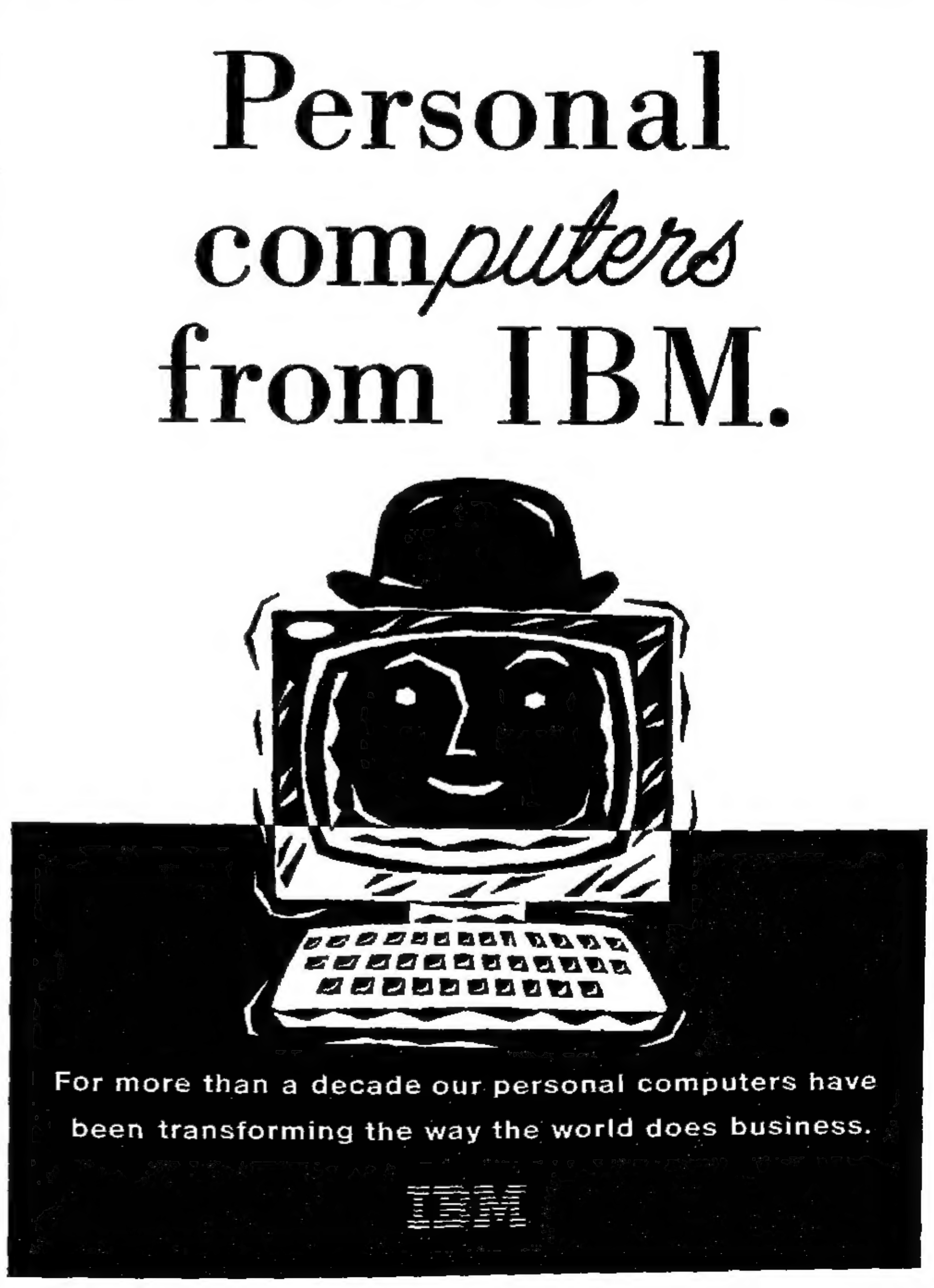
"We cannot allow them to be led to the slaughter like lambs," said the AWB leader, who shares Conservative party demands for a return to apartheid and creation of an all-white state, but supports the violence which the Conservatives eschew.

He threatened violent resistance, saying blacks, who outnumber whites by five to one, "have declared war on your property rights ... We are going to have war." Mr Terre Blanche is a considerably more powerful orator than Mr Treurnicht, whose performance yesterday was lacklustre.

The referendum is a calculated political gamble by Mr F.W. de Klerk, the president and leader of the ruling National party, to marginalise the Conservatives.

If they lose, the Conservatives will be left with little constitutional outlet for their opposition, with only 42 seats in a parliament dominated by 102 National party MPs. The Conservative party was formed a decade ago when hard-line MPs broke away from the National party.

If Mr de Klerk loses the referendum, he will resign and call an election, which the Conservatives could expect to win.



CONTENTS

Victory of Desert Storm results in tragedy of desert stalemate

Western policy towards Iraq has resulted in a gruesome stalemate. George Bush (left) has pledged that Saddam Hussein will not be allowed to remain in power, without explaining how he intends to remove him. Page 13

MARKETS

STERLING
New York: $1.73015 (1.7465)
London: $1.757 (1.7475)
DM2.88 (same)
FFr9.795 (9.79)
SFr2.61 (2.605)
Y227.5 (225.5)
£ Index 90.7 (90.8)

GOLD
New York Comex Apr $364.4 (355.2)
London: $350.2 (349.8)

N SEA OIL (Argus)
Brent 15-day Apr $17.35 (17.325)

Chief price changes yesterday: Page 15

DOLLAR
New York
DM1.6575 (1.6525)
FFr5.636 (5.6175)
SFr1.50475 (1.4935)
Y129.85 (129.15)
London:
DM1.6395 (1.648)
FFr5.575 (5.6025)
SFr1.485 (1.491)
Y129.45 (129.1)
$ Index 64.0 (64.4)
Tokyo close: Y129.32

US CLOSING RATES
Fed Funds: $3\frac{7}{8}$% ($3\frac{15}{16}$)
3-mo Treasury Bills: 4.067% (4.013%)
Long Bond: $100\frac{3}{16}$ ($100\frac{5}{16}$)
yield: 7.943% (7.965%)

STOCK INDICES
FT-SE 100: Yield 4.85
2,546.8 (−12.9)
FT-A All-Share: 1,221.30 (−1.0%)
FT-SE Eurotrack 100: 1,156.42 (−7.49)
New York: DJ Ind. Av. 3,257.83 (-24.59)
S&P Comp 410.45 (-1.82)
Tokyo: Nikkei 21,025.55 (+52.31)

LONDON MONEY
3-month interbank: $10\frac{1}{4}$ ($10\frac{5}{16}$)
Liffe long gilt future: Mar $97\frac{31}{32}$ (Mar $97\frac{15}{32}$)

Republics seek to break Russia's grip on Moscow-based Vnesheconombank

Struggle for control of Soviet debt bank

By Chrystia Freeland in Kiev and Judy Dempsey in London

THIRTEEN former Soviet republics yesterday signed a communique demanding that Vnesheconombank, the Moscow-based conduit for the repayment of hard currency debt, be removed from Russian jurisdiction. Russia, however, was pointedly absent from the meeting of prime ministers and their deputies representing all other former Soviet republics, including the Baltics.

The proposal – another foray in the economic battle between Ukraine and Russia – would place Vnesheconombank under the control of a new inter-state council in which all former Soviet republics, including the Baltics but not Georgia, would have one vote. Vnesheconombank is now governed by an inter-state council in which Russia has 61 per cent of the vote.

The idea is to be discussed at the Commonwealth of Independent States meeting on March 20.

A report by Salomon Brothers, the New York-based merchant bankers, warned yesterday that western commercial banks faced the "almost certain prospect" of a moratorium on principal debt repayments by the former Soviet republics throughout this year. This was because the republics were more preoccupied with their own domestic problems and were suspicious of Russia's role in negotiating the debt.

Ukraine's said after yesterday's meeting in Kiev that were control of Vnesheconombank to change it might be willing to accept collective responsibility with the other republics for former Soviet debt.

European Community external affairs commissioner Frans Andriessen, in Kiev yesterday, underlined the pressure on Ukraine by insisting that the EC's promised $150m line of credit to Ukraine would remain frozen until Ukraine assumed "joint and several" responsibility for the debt.

Under the terms of an inter-republican agreement signed last December, western official creditors agreed to a temporary moratorium on medium and long-term official debt. This was followed by a temporary moratorium on payment of principal to commercial banks. A moratorium on official credits was extended to the end of 1992.

This agreement, which committed each republic towards contributing a share of the convertible currency needed to make debt-service payments, was a precondition for assent by official creditors to an extension of the principal moratorium for all of this year.

Salomon Brothers say that the agreement is almost impossible to implement, because:

● "there is no way to ensure that each republic will contribute to the debt-service pool, even if they had access to convertible currency income";

● "all the republics, particularly Ukraine, are suspicious of the [banking and financial] apparatus that appears to be under the control of the Russian republic";

● "although the G7 [group of industrialised countries] warned the constituent republics that their specific creditworthiness would be harmed if the debt is not fully serviced, it is doubtful if the political elite in many republics are overly concerned with international creditworthiness at a time when popular discontent with food prices and shortages is the major concern".

Party files show only part of the Soviet story

By Leyla Boulton in Moscow

STALIN'S membership card and Boris Pasternak's pleadings for royalties from his novel *Dr Zhivago* went on public display yesterday as Soviet Communist party archives were thrown open for the first time.

Having rounded up the once-secret files in the heady days following the abortive coup last August, the Russian government has inaugurated a reading room around the corner from the ex-central committee building, the party's former headquarters.

Only a tiny selection of the files was on display, but it was a graphic illustration of the now outlawed party's far-reaching control over every detail of Soviet life.

For example, a report written in 1986 by Mr Alexander Yakovlev, the acknowledged godfather of glasnost, provided the central committee with details of a meeting with Graham Greene, the British writer. Such reports were until recently routine practice for any senior party official who had contacts with foreigners.

The exhibition was also interesting for what it did not show. Documents on controversial topics such as party finances and support for western communist parties were not displayed. Indeed, only 30 per cent of the files are deemed fit for public consumption, in the absence of legislation on state secrets and the right to privacy.

Mr Rudolf Pikhoya, chairman of the government's archives committee, said his centre had almost half the 70m Communist party files available in Russia for the period 1952-91.

He said that all documents from the past 10 years would remain off-bounds until state experts had determined which should remain classified.

But Mr Pikhoya is expecting soon to receive a number of files from the personal archives of former president Mikhail Gorbachev. Yesterday's exhibition featured Mr Gorbachev's membership card from 1952, when he was studying law at Moscow State university.

Visitors were also treated to a recording of a speech in which the Soviet leader pledged his undying support to the party whose demise he was unable to prevent.

"The party's interests are for me no less dear than to those who try to doubt my allegiance to it," Mr Gorbachev told the central committee less than a year ago.

Access to documents will be free of charge for academics, but other visitors will have to pay a fee, as befits the new free market regime.

Nato's secretary-general, Mr Manfred Wörner (left), pictured at a meeting in Moscow yesterday with President Boris Yeltsin. Speaking after two days of talks with Russian leaders, he hailed a new era of trust and co-operation with the Commonwealth of Independent States and said the western alliance would work with its former enemy to stop the spread of nuclear weapons and a possible brain drain of Soviet scientists..

CIS states give pledge on arms cuts

By David Buchan in Brussels

THE SUCCESSOR states to the Soviet Union have promised to agree by the end of May on a share-out of the weapons cuts to which Moscow committed itself under the 1990 Conventional Forces in Europe (CFE) treaty, a Nato official said yesterday.

At a meeting with Nato and east European countries in Brussels last Friday, members of the Commonwealth of Independent States (CIS) promised to re-allocate the weapons reductions in time for a special conference at the end of May, in the hope that the CFE treaty could come into force by this summer's Helsinki conference.

The five other members of the defunct Warsaw Pact have ratified the CFE pact, as have 11 Nato countries; the remaining five Nato members expected to do so very soon. But it is a tall order for the CIS states to settle their raging quarrels about redistributing Soviet military resources within the next three months.

The CFE treaty, setting geographic ceilings on tanks, artillery, combat aircraft and helicopters, covers the territory of eight CIS members.

However, three of these – Ukraine, Georgia, Azerbaijan – are outside the CIS joint military command.

The treaty was negotiated on the basis of the old Soviet military districts, whose boundaries do not coincide with the new CIS borders. It thus allows Ukraine far more weapons than Russia (west of the Urals), but also splits it in two, along the dividing line between the old Soviet military districts of Kiev and Odessa.

Nato officials said yesterday they hoped to get away with only minor technical adjustments to the treaty, which they said was "the cornerstone" of any further arms control, such as the troop reductions being discussed in Vienna.

US says CSCE could use Nato force

By Robert Mauthner, Diplomatic Editor

NATO, which is seeking a new role for itself following the end of the cold war, could become the military arm of the recently expanded 48-nation pan-European security forum, a senior US official suggested yesterday.

"Nobody foresees a military structure for the Conference on Security and Co-operation in Europe," Mr John Kornblum, chief US delegate to the CSCE review conference, which opens in Helsinki next month, said in a satellite television broadcast linking Washington with five European countries.

"But the US would probably find it useful if Nato was one of the agencies for providing troops for the CSCE." Mr Kornblum went out of his way to counter perceptions that the CSCE – grouping the western allies, members of the defunct Warsaw Pact and the newly independent republics of the former Soviet Union – was incapable of taking effective action because of its rule that decisions should be taken by consensus.

That impression had been fostered by its failure to adopt a decisive role in solving the Yugoslav crisis. But it should be realised that the new structures had been put in place when the Yugoslav crisis broke out and that, in any case, the organisation was never intended to enforce solutions by military means. "Our first purpose is not crisis management, but crisis and conflict prevention," Mr Kornblum said.

Rejecting the idea that there was a duplication of roles between the CSCE and the new Nato Co-operation Council, created as a link between the North Atlantic allies, eastern Europe and the former Soviet republics, Mr Kornblum said the organisations were complementary.

The CSCE, with a much wider membership, provided a broad political 'blue-print' for dealing with the complex situation created by the disintegration of Cold War structures. Nato was much more narrowly focused on security issues and did not cover important areas such as human rights, confidence-building measures and economic problems.

One of the main tasks of the Helsinki review conference would be to enhance the CSCE's ability to take concerted action.

A cautious step in this direction had been taken at the recent CSCE ministerial meeting in Prague, when it was agreed that a single member state could be overridden if found guilty of "clear and gross violation" of its CSCE commitments. But consensus would nevertheless remain the "cardinal principle" for decision-making, Mr Kornblum said.

Aer Lingus faces fine over ticketing move

By David Buchan

A FINE on Aer Lingus, the Irish national carrier, for refusing to grant reciprocal ticketing rights to British Midland, the UK airline, is to be announced by the European Commission today.

The Brussels competition directorate believes that Aer Lingus' move to scrap a long-standing "inter-lining" agreement with British Midland in 1989 – just when the latter started flying to Dublin – constituted an illegal abuse of the Irish carrier's dominant position on the London-Dublin route.

Inter-lining agreements allow travel agents to issue passengers with a single ticket allowing them to change airlines on different legs of their journeys.

Brussels favours such agreements, not only because they give customers more flexibility but also because, at a time when the Commission is seeking to liberalise air travel, they make it easier for airlines to pick up passengers on new routes and thereby encourage entry into the market.

Last year's withdrawal by British Airways from the London-Dublin route has helped in fact both Aer Lingus and British Midland since. Inter-lining agreements are common between EC airlines, but not obligatory. However, according to the EC competition directorate, in reacting to direct route competition from British Midland by scrapping the ticketing agreement it had had with the UK airline since 1964, the Irish carrier was abusing its dominant position in flights to and from the Irish capital.

In an earlier case involving Air Europe, the Commission defended the right of a smaller airline to an inter-lining arrangement with a bigger carrier.

German companies see worse to come

By Quentin Peel in Bonn

FOR THE first time in three years, more German companies expect business conditions to get worse than to get better.

On the other hand, an overwhelming majority consider that the economic situation is good, or at least satisfactory. Investment intentions remain absolutely balanced between companies planning an increase and those intending to cut back.

These were the key conclusions of the bi-annual survey of business opinion of the German Chamber of Commerce and Industry (DIHT), published yesterday, which confirmed the growing pessimism in the economy after two remarkable growth years.

"The economy in Germany is taking a pause for breath," according to Dr Franz Schoser, chief executive of the chamber. "But in spite of a clear weakening, there are still no symptoms of a recession." In spite of that, he admitted that there had been a "slump" in business confidence.

The survey covers more than 20,000 enterprises in west Germany, and some 4,000 in the east. It concludes that 25 per cent think the economy will get better, 27 per cent that it will get worse, and 48 per cent that it will remain much the same. Those figures compare with 40 per cent expecting an improvement, and only 13 per cent a worsening, one year ago.

Key elements in the grimmer mood include the lack of impulse from exports, and the fact that the extraordinarily high consumer demand at the time of German unification is falling back. Another reason for pessimism, the survey suggests, is the high level of wage demands from trade unions, as well as rising inflation, high interest rates and increased tax and social security payments.

There is still a sharp contrast in the expectations of businessmen in the two halves of the country: in the east, where economic activity collapsed in the wake of unification, there is a pick up. Forty-six per cent of enterprises expect an improvement in their economic situation, against 42 per cent expecting no change, and only 12 per cent expecting further deterioration. The mood is clearly more optimistic among small and medium-sized enterprises than in the big businesses, Mr Schoser said.

The surprising conclusion is how many businesses in the west still consider the economic situation "good": no fewer than 38 per cent, while a further 48 per cent consider it satisfactory, and only 14 per cent poor.

As far as investment plans are concerned, the boom of the past three years has clearly ended, leaving plans steady, but not falling. The principal motive for investment is rationalisation, the DIHT says, and not expansion. Environmental protection is also a growing reason for investment, regardless of the economic climate.

The survey shows some stark differences between business sectors in their assessment of the economic climate. Thus only 29 per cent of enterprises in the investment goods industries think their situation is good (against 51 per cent last year.)

The sharpest slump in mood is in the machine engineering sector, while there is more optimism in electronic industries, precision engineering, and optics.

"The attitude is more cheerful in consumer goods, food industries, wholesale and retail trade, transportation, and above all in construction, where there was the least deterioration. In the building industry, for example, 39 per cent still saw the situation as "good", and 53 per cent as "satisfactory".

Bangemann raps Bundesbank over single market

By Andrew Hill in Brussels

THE EC's internal market commissioner, Mr Martin Bangemann, yesterday warned Germany's Bundesbank to mind its own business and stop interfering with the Commission's attempts to establish a barrier-free single market.

The Bundesbank commented in its report last week that completion of the single market by the January 1, 1993 deadline was not assured.

"I don't deny that there's a certain connection between the success of the internal market and the possibility of creating a common currency," said Mr Bangemann after yesterday's meeting of internal market ministers. But he added that the Bundesbank should not try to judge what the Commission was doing: "Everybody should keep an eye on their own cows," he said.

Mr Bangemann, Germany's senior commissioner, is himself a stern critic of member states' sluggishness in implementing single market legislation and abolishing frontier controls.

At yesterday's meeting he again put pressure on EC countries to accelerate the removal of internal barriers, although he indicated that there was no immediate need for a single regulation to sweep away all remaining border controls on goods. Mr Bangemann said he hoped compromise proposals under discussion would enable Britain, which is reluctant to lift border-checks on people, to drop controls.

Mr Bangemann also praised some EC countries for improved implementation of EC single market directives. For example, Italy – repeatedly criticised by the Commission for not transforming EC directives into national law quickly enough – has leapt from bottom of the Community league table to fifth in less than a month. The back-markers are now the three Benelux countries, although they argued yesterday that they were about to implement a number of EC directives.

● The third non-life insurance directive, which will enable consumers to buy non-life insurance policies from companies anywhere in the EC from mid-1994, was formally agreed by ministers yesterday.

Socialist MEPs, objecting to neglect of the single market's social aspect, had been blocking the directive in the European Parliament but lifted this last procedural obstacle two weeks ago.

Divisions within the Bundesbank over plans for European economic and monetary union resurfaced yesterday with an outspoken attack on the Maastricht treaty by a regional member of the bank's ruling council, writes Quentin Peel in Bonn.

Mr Wilhelm Nölling, president of the Hamburg state central bank, warned in a newspaper article that currency union could be "abortive and premature," posing risks for monetary stability in Germany itself.

He singled out a series of "indispensable" preconditions laid down by the Bundesbank, and not fulfilled in the Emu agreement. The most important, he said, was that Emu should not be tied to a rigid timetable, but that transition to each further phase should depend "on the fulfilment of economic preconditions laid down clearly in advance".

As for the economic convergence criteria themselves, and the possibility of sanctions being imposed on member states for failing to observe them, he questioned whether they amounted to "adequate precautions to ensure an effective budget discipline."

NEWS IN BRIEF

Brussels aid inquiry over Dutch Volvo deal

THE European Commission is today expected to launch a state aid investigation into what it believes are unduly generous terms on which the Dutch government admitted Mitsubishi of Japan as a shareholder into Volvo of the Netherlands, write David Buchan in Brussels and Ronald van de Krol in Amsterdam.

In December, the Dutch government reduced its 70 per cent stake in the local Volvo car-making operation by selling 33 per cent to Mitsubishi and 3 per cent to Volvo of Sweden which previously held 30 per cent, putting all three partners on a par. The government has committed itself to pulling out altogether by 1998 by selling its one-third stake (at 1991 prices) equally to the two car-makers.

The government is also understood to be giving soft loans to the two car-makers' joint venture to replace the "400" series of Volvo with a new model. Brussels believes the prospects for the venture are too good to justify any subsidy. Failure of a government to behave like a rational investor has become a key test Brussels applies to judge whether state "aid" is involved.

Poland devalues zloty 12 per cent

Poland yesterday devalued its currency, the zloty, by 12 per cent against a basket of five western currencies, the National Bank of Poland (NBP) said, Reuter reports from Warsaw.

The move, aimed at boosting exports, reduced the zloty's value against the dollar by 10.46 per cent. The previous rate of 11,853 zloties to the dollar was increased to 13,238.

■ President Lech Walesa threw down a challenge to parliament yesterday when he renominated Mr Hanna Gronkiewicz-Waltz, a lawyer, as his choice for central bank chief, despite her earlier rejection for lack of experience.

French asylum plan quashed

Controversial French government plans to allow police to detain asylum seekers at airports for up to one month without access to a lawyer were deemed unconstitutional yesterday by the country's top legal body, Reuter reports from Paris.

The Constitutional Council said the proposal violated Article 8 of France's 1958 constitution which guarantees the availability of legal counsel to anyone requesting it. The ruling is likely to embarrass France's Socialist government which had hoped to create so-called "transit zones" at airports.

Malta's EC membership target

Maltese entry into the EC is the top priority for the island's new Christian Democratic government which won a second five-year term at the weekend, Mr Eddie Fenech Adami, the prime minister, said yesterday, writes Godfrey Grima in Valletta.

Mr Fenech Adami's Nationalist Party won an absolute majority of 51.8 per cent of the popular vote to secure a three-seat parliamentary majority.

Tension rises after Bosnia bomb

Tension rose in Bosnia Hercegovina yesterday after a bomb injured 12 people and damaged a building housing a Croat cultural centre in the northern town of Odzaci, writes Laura Silber in Belgrade.

The explosion late on Monday threatened to damage relations between the Slavic Moslems, Serbs, and Croats who make up the Yugoslav republic's population, just days before this weekend's referendum on independence. Moslems, who make up 41 per cent of the 4.4m population, are expected to vote for independence. Croats – 17 per cent of the population – mostly support independence although ultra-nationalists want Bosnia to join Croatia.

Madrid hit by transport strikes

Bus and and underground railway strikes brought traffic chaos to Madrid yesterday, Reuter reports from Madrid.

Tailbacks of up to 15km were reported on some access roads into the capital as tens of thousands of commuters took to their cars despite metro workers running a minimum service. Bus workers have been out for more than three weeks. Both groups are protesting about lack of progress in wage negotiations.

Irish move on motor insurance

The Irish government is to accelerate legislation to try to reduce motor insurance costs, following a report yesterday showing that premiums in Ireland are on average 70 per cent higher than in the UK for comprehensive cover, and 106 per cent higher for non-comprehensive cover, writes Tim Coone in Dublin.

Regional security fears force Stockholm to spend

Swedes boost defence sector

Robert Taylor in Stockholm

SWEDEN plans to increase its defence spending at a time when most European countries are cutting their military budgets and wants to boost Swedish arms sales abroad, particularly to the countries of eastern Europe.

Mr Anders Bjorck, the country's defence minister, announced yesterday that the centre-right government intends to increase annual military expenditure by SKr900m ($151m) with an additional rise every year until 1997 equivalent to 1.5 per cent of the appropriation for military equipment.

This means a SKr7.3bn growth in Swedish defence spending over five years. The proportion of the country's gross national product going into military expenditure will rise slightly to 2.4 per cent. In 1992-1993 Sweden will spend SKr37.745bn on its defence, compared with SKr35.460bn in the last financial year. Sweden's security forces must be adapted to new challenges, said Mr Bjorck. "They will be leaner but meaner". Although recognising "the old imminent threat of a major east-west war can be written off in practice", Mr Bjorck said that "the risks of local conflicts in eastern Europe have clearly grown".

"In a long-term perspective there is obvious uncertainty, particularly with regard to developments in Russia and its neighbouring countries."

Mr Bjorck said air defence would have a high priority and he confirmed the government's commitment to the new JAS39 Gripen multi-role aircraft.

The Swedish navy is to have an enhanced anti-submarine capability while the army will receive equipment up to international standards emphasising speed and mobility. In an introduction to the government's new defence policy statement, Sweden's prime minister, Mr Carl Bildt, declares that "the strategic reality" of northern Europe means "the hard core of Swedish defence policy must remain free of involvement in any military alliance but with a duty to prepare for our own defence so that we can be neutral".

But at the same time the Swedish government will encourage the country's arms manufacturers to seek closer co-operation with European Nato countries in joint projects.

Spain's top guns sign up for war of words

By Peter Bruce in Madrid

SPANISH air force pilots struggling to get out of their 15-year contracts with the Defence Ministry and earn good money in commercial airlines have finally hit upon a fool-proof escape route - they are becoming politicians.

Spain's Constitution places a high worth on the value of political service and with just three weeks to go before regional elections in Catalonia, some 42 pilots have insisted on making use of a legal right which enables them to leave the air force for two years to become election candidates - and if they get elected, they get four years of freedom.

The issue has taken about two years to come to a head, with reports of restlessness among pilots surfacing quite frequently in the Spanish press. About a year ago, one squadron nearly went on strike in protest at the Defence Ministry's refusal to release pilots from their contracts.

"The fact that experienced pilots are trying to leave is very worrying," said an air force official, "and we are trying to solve the problem." The Catalan ploy is all the more bitter for the government as most of the 42 men are going to be candidates in a party formed by the maverick financier, Mr José Ruiz Mateos, whose Rumasa banking and industrial empire was expropriated by Madrid eight years ago.

Since then he has managed to keep himself immune from prosecution for alleged fraud by getting himself elected as a Euro MP. None of the pilots standing for him is likely to be elected, but then none of them would want to be.

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WORLD TRADE NEWS

France, Germany in dispute over Airbus assembly

By Paul Betts, *Aerospace Correspondent, in Singapore*

THE launch of a new European Airbus 125-seat airliner, the A319, is being held back by French demands that it should be assembled in France rather than Germany.

The disagreement over the A319, a shorter derivative of the A320 twin-engine narrow-body airliner, highlights again the problems of managing the collaborative Airbus programme between its four partners: Aérospatiale of France (37.9 per cent), Deutsche Aerospace (37.9 per cent), British Aerospace (20 per cent) and Casa of Spain (4.2 per cent).

The German and UK partners back the new programme, but Aérospatiale argues assembly at Hamburg would cut its overall workshare below its 37.9 per cent stake. Airbuses have traditionally been assembled at Aérospatiale's plant in Toulouse. But Germany won its bid two years ago to locate at Hamburg all final assembly and internal fittings of the A321, a stretched derivative of the A320, due to be delivered to its first customers in 1994.

Assembly of the proposed new A319 at Hamburg, giving Germany final assembly of a second Airbus aircraft, would tie in with the Airbus supervisory board's decision to concentrate final assembly and final internal fittings to customer specification at one site, rather than split between Toulouse and Hamburg, as before. But Aérospatiale is understood to be opposing Hamburg assembly of the A319 and urging assembly in Toulouse, which already assembles the A300/A310 widebody airliners, the A320 and the new A330/A340 long-range widebody jets.

The row risks delaying the launch of the $300m (£171.4m) programme to build the 125-seater aircraft. Airbus was wanting a go-ahead from its supervisory board to start offering the new aircraft to airline customers at the end of next month. It has argued the A319 would complete its family of narrow-body airliners and help it compete more strongly against its US rivals Boeing and McDonnell Douglas which offer 125-seat-range aircraft. Airbus has dropped the idea of building an even smaller A320 derivative with 100 seats.

US and Mexico unveil Nafta environment plan

By Damian Fraser in San Antonio, Texas

THE US and Mexico unveiled their long-awaited border environment plan yesterday, a key component of their strategy to persuade US Congressmen to support the proposed North American Free Trade Agreement (Nafta).

Mr William Reilly, head of the US environmental protection agency, presented the plan in Los Angeles, claiming: "Never have two nations developed so extensive a plan to improve health and environment along their entire border". Mexico's environment minister made a simultaneous presentation in Tijuana, Baja California.

Under the pact, Mexico will spend $460m (£262.8m) over three years ($147m in 1992) on water treatment and other public works, doubling the number of environmental inspectors, and toughening regulation of Mexican-based industries.

The US proposes spending in its 1993 budget $179m on border environmental protection, of which $170m is earmarked for waste-water treatment. But the fear that the border environment will deteriorate in the event of Mexican-US free trade has become a focus of opposition to Nafta in Congress.

Donors set to agree on unused tied aid

By David Dodwell, World Trade Editor

AID donors are expected this week to agree on how to deal with the tied-aid overhang (unused credit lines) resulting from the recent ban on using tied credits for projects in better-off developing countries.

Staff at the Organisation for Economic Co-operation and Development (OECD) say just four of its 24 members have so far given details of the overhang, but this should not prevent agreement on "transition rules" for dealing with it. They do not yet know how big the overhang is, but have asked member governments to supply details of unused lines of tied aid by March 15.

Transition rules will vary according to the intention of the creditor government when bilateral credits were agreed. It is likely credits linked to specific projects will be given the go-ahead. Credits not assigned will "expire" if unused after an agreed time.

The OECD has striven to ban the use of aid for commercially viable projects, and for projects in wealthier developing countries. On February 15, rules for such a ban came into force, with members able to limit abuse by vetting each other's aid projects.

It is hoped the ban will let aid funds be channelled to development projects genuinely unable to attract commercial funding, ensuring aid funds are additional to, rather than competing against, commercial loans for potentially profitable projects.

Controversy erupted two weeks before the ban came into force when Spain launched large lines of export credit to Mexico and Venezuela, countries that two weeks ago became ineligible for tied-aid funding. These credits were among the five biggest concessional credits the OECD ever recorded. They will be included in the overhang, as will all other recently-agreed credits. All will be subject to transitional arrangements.

Jakarta jockeys for a stronger trading voice

Reform has won Indonesia more credibility in world forums, Claire Bolderson writes

ECONOMIC policy makers in Indonesia have developed an unnerving habit of listening in silence to advice from outside, then acting on it just as even the most friendly critics are starting to despair. Jakarta's successive trade reforms of recent years are a case in point.

The World Bank and Gatt last year praised Indonesia for its efforts to free up its trade system but urged it to go further. Jakarta obliged: more cuts in import tariffs were announced, including those on the heavily-regulated palm oil industry, where export curbs were lifted.

Indonesia has undertaken a series of trade reforms since the mid-1980s when plunging oil prices forced it to realise it would have to diversify its economy to survive. Oil and gas exports could no longer be depended on as its mainstays; domestic export-oriented industries would have to be encouraged, and cumbersome monopolies dismantled.

Among the measures aimed at moving away from non-tariff barriers and at cutting and rationalising existing tariffs was the elimination in 1986 of import duties on components for re-export. The established system of export licences was scrapped a year later, and, the next year, non-tariff barriers were replaced by tariffs on more than 300 import products.

In 1990, tariffs were cut on nearly 2,500 items, including components for the heavily-regulated pharmaceutical industry. Export controls on commodities including coffee were abolished, and licensing procedures for cattle breeding and fishing simplified.

Last June, the government moved closer to its intention of shifting the tariff ceiling down to about 30 per cent, when it cut import tariffs on more than 500 products from beef to glass and steel. Non-tariff barriers on a quarter of the products protected by such barriers were replaced by some form of direct tariff protection.

"What they have done so far is brave," says Ms Mary Pangestu, an economist at the government-backed Centre for Strategic and International Studies. But like other analysts, she urges further steps, and more transparent planning reform. "The key is competitive domestic industry. That must be the goal."

Perhaps bravest of all, Indonesia sacked its customs staff in 1985 and hired the Swiss firm Société Générale de Surveillance (SGS) as its agent for inspecting goods and assessing duties on imports and exports. But some anomalies still remain, along with areas where vested interests appear to have held back the government back.

Suharto: anomalies remain

One of these was the 1990 decision to grant a consortium headed by President Suharto's youngest son the exclusive right to the international and domestic trade in cloves. Reports reaching Jakarta indicate the setting-up of the monopoly has resulted in substantial disruption to trade in the 80,000 tonnes of cloves produced annually in Indonesia.

It has also led to a drop in income for farmers who were to be the main beneficiaries of the new system. The clove cigarette industry, one of Indonesia's biggest employers and the consumer of nearly all its clove output, is paying at least three times more for its clove supplies.

Policy on products from Indonesia's tropical forests has also been questioned. Export of raw logs and raw and semi-processed rattan has been banned; a prohibitive tax on exports of sawn logs was imposed in 1989. The measures have attracted criticism, but the government has dug in its heels. Mr Sudradjad Djiwandono, junior minister for trade, says the bans and taxes are intended mainly to encourage development of domestic industries.

The World Bank saw things differently. The rattan policy had "reduced incomes of farmers in several outer island provinces," while the sawn timber taxes had "driven a number of small sawmills out of business."

A tendency to use surcharges in compensation for eliminating non-tariff barriers is widely considered to be inconsistent with Indonesian trade reform, as is the protection afforded to parts of the motor vehicle industry and large areas of farm output.

Analysts say the allocation of quotas for the textile industry should be tidied up and the system made more transparent. Measures to help the developing economies of Indonesia's outer islands are also called for. Local-level regulations such as those on the movement of cattle or copra between provinces are believed to hinder economic activity outside Java.

The Indonesian authorities acknowledge the system is not yet perfect. "There are still many things that could be improved," says Mr Djiwandono, but adds that the direction is clear.

One of the effects of reform has been to give Indonesia more credibility in world trade forums such as Gatt, and a stronger voice in what Jakarta sees as the developing world's fight against the power of western trading blocs.

Tokyo plans industrial tariff cuts

By Robert Thomson in Tokyo

JAPAN will announce tariff cuts on a range of industrial items in imminent multilateral negotiations, but has apparently decided not to replace its rice import ban with a new tariff schedule.

The Japanese proposals, to be presented on March 1 in the Uruguay Round talks, provide for average industrial tariffs to be cut from 3.6 to 1.9 per cent, improving on its offer to reduce the level to 2.4 per cent. But the agriculture ministry insists a concession on rice imports is not needed, despite a Gatt directive that member nations submit by this weekend a list of tariffs to replace all bans and other import curbs on food items.

The foreign ministry said yesterday the tariffication of rice imports was still being discussed, but the government had tacitly agreed rice would be either left off the list or mentioned, though no tariff figure will be proposed. Japanese officials admit fresh political scandals have prompted the ruling Liberal Democratic Party (LDP) to keep the rice import ban. The popularity rating of Premier Kiichi Miyazawa has dipped over the past few weeks, and the LDP fears a concession on rice will quicken that decline.

Farm officials say the US and EC have yet to settle their differences over food trade, and Japan would be foolish to submit a tariff figure for rice at this stage. They suggest the longer Japan holds out against foreign pressure, the more the government can argue it defended farmers' interests.

Mr Michio Watanabe, deputy prime minister and foreign minister, has suggested an initial rice tariff of 700 per cent would successfully limit the flow of rice imports, but the agriculture ministry argues Japan would compromise its negotiating position by submitting a figure on March 1.

As for industrial products, Japan will propose tariffs be scrapped on about 1,000 items, including transportation machinery. But the government has yet to decide on rates for non-ferrous metals, for which the US and EC have demanded cuts, while the tariff for leather products, important politically, is likely to be cut from about 60 to 40 per cent.

EC-Poland free trade pact hits car import snag

EC complaints that Poland plans to discriminate in favour of imports from certain Community car-makers are threatening to delay implementation next week of a EC-Poland free trade pact, Andrew Hill reports from Brussels.

Member states were supposed to approve the accord at yesterday's meeting of internal market ministers, but France raised objections to Poland's plan to divide its quota of duty-free car imports between General Motors, Fiat and Volkswagen only. EC diplomats will discuss the problem in Brussels today.

Mr Martin Bangemann, EC industry and internal market commissioner, said the legal services of the Commission and Council of Ministers agreed the Polish action infringed non-discrimination clauses in the accord. A French official said Paris wanted to ensure the clauses were observed, not take reciprocal action against Polish car exports to the EC.

The agreement was signed last year, but at the end of last month, the Polish ministry of foreign economic relations said the quota of 30,000 passenger cars which could be imported free of duty from the EC would be split between Fiat, GM and Volkswagen as a reward for their promises of investment with Polish partners. But Mr Bangemann said member states were unanimous the move was discriminatory.

Change in anti-trust policy seen

THE US Justice Department is expected to institute a change in anti-trust enforcement policy to allow action against Japanese and other foreign cartels which keep US companies out of overseas markets, Nancy Dunne reports from Washington.

The US trade representative and State Department are wary about the policy, but Mr William Barr, US attorney-general, has said he expects to see the policy change accepted.

The US has long claimed jurisdiction over anti-competitive activity outside the US. The activity must have a direct impact on US commerce and the parties involved have some presence in the US.

Mr John Cregan, president of the Business and Industrial Council, which urges a hard line against Japan, said Japan's car and car parts industries operating in the US should be prime candidates for action.

US claims of extra-territorial jurisdiction are highly controversial overseas, but recognition has been growing that anti-trust rules ought to be adapted to the demands of the global economy.

Sir Leon Brittan, EC competition commissioner, has called for competition rules under Gatt.

An OECD working party is giving priority to proposals for harmonising national anti-trust procedures.

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INTERNATIONAL NEWS

Suzuki grilling in parliament embarrasses Miyazawa government

Japanese ex-premier tells of Y10m gift

By Robert Thomson in Tokyo

THE government of Mr Kiichi Miyazawa was greatly embarrassed yesterday by the return parliamentary appearance of a former prime minister, Mr Zenko Suzuki, who told of his dealings with a bankrupt leisure club developer and admitted to receiving Y10m ($73,100) from an indicted politician for services rendered.

For the Japanese public, the polite grilling of Mr Suzuki, 81, who retired as MP two years ago, highlighted the unsavoury, though not illegal, contacts cultivated by politicians seeking to fund networks of influence within the ruling Liberal Democratic party (LDP).

Opposition parties had demanded that Mr Suzuki and another senior LDP member, Mr Jun Shiozaki, 76, appear to answer questions about their dealings with Kyowa Corporation, a now bankrupt property and steel company, and links to Mr Fumio Abe, an LDP member recently indicted on charges of accepting Y80m in bribes from Kyowa.

The opposition had delayed the passage of Japan's budget to force the LDP to produce Mr Suzuki. It was suggested that he could not appear because of ill-health, but a magazine picture of Mr Suzuki clearly enjoying a round of golf prompted the ruling party to insist that the elder statesman explain how he came to be honorary chairman of a never-completed Kyowa leisure club.

Mr Suzuki admitted that Mr Abe, on the announcement of his much cherished appointment to the cabinet in 1989, had given him a brown envelope, though the former leader said he was surprised to find that it contained Y10m from his grateful associate. He suggested that he did not want the money, though he kept it "on behalf of" Mr Abe, returning the same amount to him in November of last year.

Mr Shiozaki expressed similar surprise at receiving Y20m from Kyowa after he had intervened on the company's behalf to settle a dispute with Marubeni, the famed trading house which had become entangled in a series of fictitious steel contracts concocted by Kyowa in an alleged attempt to defraud several other companies.

"I did not know exactly why I received the Y20m, but I thought it was remuneration for my consultancy. I did not know about the steel fraud at that time. I did not think Kyowa was trying to bribe me," said Mr Shiozaki, who also asked Mr Abe to take the money back late last year. A stern Mr Suzuki, who led the country from 1980 to 1982, repeatedly denied allegations that he had received another Y100m from Kyowa after he had agreed to become honorary chairman of its planned club.

He also said that a widely reported comment that "you can't question me, I'm a former prime minister" was wrongly attributed to him. And he explained that he attended a Kyowa factory opening, when he lauded the company, because "I wanted to visit my grandchildren" in the same district.

The Justice Ministry said yesterday that investigations into the Kyowa case had now concluded, and that no further charges would be laid. However, the scandal has shaken Mr Miyazawa, as it has centred on political fund raising by senior officials within his LDP faction. There has been no suggestion that Mr Miyazawa himself had received ill-gotten funds, but the scandal has undermined public confidence in his administration, which has so far been characterised by the surfacing of scandals.

Meanwhile, a Japanese court yesterday gave a suspended two and a half year sentence to Mr Fujio Tashiro, a former member of the opposition Komeito (Clean Government party), after finding him guilty of accepting a Y10m bribe from an association of gravel and stone shippers which sought to have government regulations changed in their favour in 1985. Mr Tashiro, 61, had denied that he abused his authority by seeking to amend the regulations, and said that he regarded the Y10m as a "political contribution".

Kurds seek long-term UK aid

By Mark Nicholson, Middle East Correspondent

MR Massoud Barzani, leader of the Kurdish Democratic party, arrived in London yesterday saying he would ask Mr John Major, Britain's prime minister, to provide long-term development aid to enable Iraqi Kurds to become self-sufficient.

He said he would also ask Britain to make a commitment to help protect the Kurds against further Iraqi aggression and to provide observers for elections to be held in northern Iraq in April.

Mr Barzani, who is to hold talks with Mr Major this afternoon, said the combined effects of the United Nations embargo against Iraq and Baghdad's internal blockade of the Kurds threatened to cause a "social explosion" in Iraqi Kurdistan. Although he said fighting in northern Iraq had calmed considerably in recent weeks, Mr Barzani said the embargoes had caused severe food and fuel shortages.

The Kurdish leader is also hoping Britain, France and the US will extend its commitment to keep protective forces in Turkey, at present comprising 48 fighter aircraft based at Incirlik airbase, beyond the present mandate which runs until June. "As long as there is no political settlement on the ground, it is vital that there are forces there to give long-term protection to the Kurds," he said.

Mr Barzani said Kurdish groups were still seeking a negotiated agreement with Baghdad over Kurdish autonomy, although talks between Kurdish leaders and the regime of Mr Saddam Hussein, the Iraqi president, have been frozen for some months.

India raises rail fares by 20%

By David Housego in New Delhi

THE Indian government yesterday raised passenger rail fares by about 20 per cent in a move seen as a foretaste of the austerity budget expected later this week.

The sharp increase in fares reflects the pressure on the government to cut the budget deficit through reducing financial support to public sector units.

The railways, the budget for which was presented to parliament yesterday, is the largest of the government-owned enterprises.

The increase, which follows a 10-20 per cent increase in rail fares in July, means that the railways revenue from passenger traffic will rise by 33 per cent in 1992-93 over the original budget estimates for the current year.

Mr C.K. Jaffer Sharief, the railways minister, told parliament the cost of running uneconomic lines had risen more than fivefold from Rs4bn ($88m) in 1980-81 to Rs22.2bn last year.

In an effort to generate further financial resources, Mr Sharief said that the railways would seek to lease or sell some of the land it owns in central cities - beginning with Bombay.

The armed forces, the largest landowners in the country, are to follow a similar policy as a way of raising funds.

First class fares are to rise by 20 per cent and second class fares by about 17 per cent. Some season tickets will go up by 40-48 per cent.

Mr L.K. Advani, the leader of the Hindu radical BJP party which until recently supported the government's liberalisation and restructuring programme, said the rail minister had "not just been harsh. He has been cruel. As far as I recall such a massive hike in railway fares and freight is unprecedented."

Demands for interest rate reduction

By Stefan Wagstyl in Tokyo

THE Bank of Japan yesterday faced renewed calls for a cut in interest rates following publication of a government report acknowledging a further deterioration in the state of the economy.

The government's Economic Planning Agency dropped the word "expansion" from its monthly report to the cabinet for the first time since the economic upturn in early 1987. Instead of saying that the economy was "expanding at a slower pace" - the favourite phrase of recent months - the agency said the economic slow down was spreading to a wider range of sectors. The agency's report echoed recent commentaries by private sector economists who have almost all taken a more pessimistic view than the government.

For the current financial year, ending next month, economists expect a growth rate of about 3.5 per cent against the government forecast of about 3.7 per cent.

For next year, private sector predictions mostly range 2.5 per cent to 3 per cent against a government target of 3.5 per cent.

Ruling party politicians, with an eye on an election to the Diet's (parliament's) upper house this summer, would like to see measures to stimulate growth, including further cuts in interest rates.

Mr Kozo Watanabe, the minister for international trade and industry, yesterday called for a cut in the official discount rate to follow the last reduction in December when the ODR was reduced to 4.5 per cent.

The central bank's position is that it is still examining the effects of the last reduction and of two previous cuts.

However, pressure for further reductions grows almost daily, not least from industrialists anxious about weakening demand, particularly for capital goods. Yesterday Hitachi, the electrical combine, became the latest company to warn that profits for the year to the end of March would fall well short of previous forecasts.

Some politicians and businessmen would also welcome extra public spending to boost the economy.

However, in the face of opposition from the powerful Ministry of Finance to any increases in public spending, the state of the country's economy would have to deteriorate much further than at present before serious discussion could start.

Inquiry ends on 'Keiretsu'

JAPAN'S Fair Trade Commission (FTC) has concluded the country's six biggest corporate groups are becoming less reliant on in-house dealings and their extensive cross-shareholdings do not lead to exclusionary business practices, Robert Thomson reports from Tokyo.

The findings will be presented in Washington today to a follow-up meeting for the US-Japan Structural Impediments Initiative (SII), designed to remove "structural" barriers.

The corporate groupings, or *keiretsu*, head a list of US concerns about access to the Japanese market; it is unlikely the FTC report will satisfy the US.

Manila urged to curb security force killings

By Alexander Nicoll, Asia Editor

THE Philippine government should take urgent action to stop unlawful killings by its security forces, according to Amnesty International, the human rights movement.

In a report published today, it says that at least 550 unarmed people, including children and elderly people with no connection to the opposition, have been killed by government or government-backed forces since 1988.

Members of the army, police and officially-backed militia groups and civilian groups have carried out killings, as well as paramilitary and vigilante groups working in collusion with security forces or with their acquiescence.

In addition, hundreds of people have "disappeared" while in police or military custody, Amnesty says.

Abuses of human rights reflect the strong influence of the military in Philippine politics even after the restoration of democracy under President Corazon Aquino in 1986. The military has been given considerable freedom to counter armed opposition groups.

Amnesty said the practice of "red-labelling" - publicly identifying alleged opponents of the government as subversives - particularly contributed to the killing.

The Philippines: the killing goes on. Amnesty International. Free.

NEWS IN BRIEF

Hyundai chief blames government for woes

THE founder of South Korea's Hyundai group, who has launched a party to challenge President Roh Tae-woo's government, blamed the government yesterday for the financial woes of the group's subsidiaries, Reuter reports from Seoul.

"Hyundai risks defaulting on bills due to the government's persistent credit control and tax investigation imposed on group subsidiaries," Mr Chung Ju-yung, 70, was quoted as saying by a spokesman for his National Unification Party.

Mr Chung initially refused to pay Won136.1bn ($181.5m) in penalty taxes but later changed his mind. Since then, domestic banks have frozen fresh loans to the group, the tax office has launched a second tax investigation and the Securities Supervisory Board has postponed approval on Hyundai units' rights issues for the sixth time, Hyundai officials said.

Daewoo halts N Korea project

Daewoo, South Korea's fourth-largest business group, said yesterday it was suspending its plan for the first joint ventures with North Korea. Disappointed by the outcome of talks between the prime ministers of North and South last week, Seoul said any economic exchanges would be banned until North Korea allowed inspection of nuclear facilities. In Washington yesterday, Mr Robert Gates, director of the CIA, said that North Korea could have a nuclear weapon in as little as a few months.

Indonesia bans Portuguese ship

Indonesia yesterday banned from its waters a Portuguese ship planning to sail to East Timor to mark an army massacre of civilians, Reuter reports from Timor.

The foreign ministry said the planned visit by the Lusitania Expresso, which left Lisbon last month, was politically motivated to aggravate tension in East Timor and incite disturbances.

The vessel is due to call at Darwin in north Australia before sailing to the East Timor capital Dili, where it is expected around March 3. Those travelling on the ship intend to lay a wreath at the cemetery where Indonesian troops killed scores of mourners last November. Indonesia annexed East Timor, a former Portuguese colony, in 1976 in a move which remains unrecognised by the United Nations.

Opec questions global warming

An Opec official questioned the phenomenon of global warming yesterday and said a proposed EC carbon tax to combat it was a ploy to control world energy markets, Reuter reports from Cairo. "We do not know whether global warming is a certainty or not," Mr Mohammed al-Sahlawi, head of OPEC's news agency, told a symposium of economists. "Is there really a man-made problem, or is it part of a natural cycle?"

Brussels plans to introduce a tax of $1 per barrel of oil in 1993 to fight global warming and curb demand for oil. The tax would rise to $10 a barrel by the year 2000.

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Tourists make their way along the outer wall of Jerusalem's Old City past snow-covered palm trees as winter storms hit the region

Israeli loans guarantee

US aid budget comes under scrutiny

By George Graham in Washington

THE fate of the US foreign aid budget has become inextricably tied up with that of Israel's request for $10bn (£5.7bn) of loan guarantees to help it absorb around 1m new immigrants from the former Soviet Union.

Authorisation for US foreign aid is due to expire at the end of March, but Senator Patrick Leahy, who chairs the Senate sub-committee overseeing foreign aid funding, says he will not put forward a new aid bill unless an agreement could be reached that ties the Israeli loan guarantees to some sort of freeze on Israeli settlements in the Arab territories it occupied in the 1967 war.

"If we do not have a solution to the guarantees and settlements issue, then we don't have a bill - it's as simple as that," he said yesterday.

When it has fallen out with the US administration in the past, Israel has often been able to call on support in the Congress to make its views prevail. Today, locked in an apparently irreconcilable dispute with the administration, it faces an uphill struggle.

Mr James Baker, US secretary of state, told Congress on Monday he would accept $2bn a year of loan guarantees for the five years only if Israel halted settlement activity, or agreed to deduct from the guarantees the amount it spent in the occupied territories.

Even Israel's strongest supporters, meanwhile, are not eager to force the issue. They believe they would probably lose a straight majority vote, and would certainly be unable to muster enough support to override a presidential veto.

"It's given that any sort of guarantee arrangement, in order to be sellable here, would have to be tied to pretty substantive restrictions on settlements," said one congressional aide yesterday.

The debate is taking place at a time when there is little enthusiasm either among congressmen or in the US at large for foreign aid in general.

At the same time, Israel's position in the US public opinion has weakened in recent years. The Palestinian uprising and Israeli tactics against it have contributed substantially to this.

A central factor, however, has been President George Bush's public stand against Israel, particularly in the September press conference when he called for a four month delay on the loan guarantees and depicted himself as standing alone against hordes of Israeli lobbyists.

Mr Bush said yesterday that his administration's policy might be risky for his re-election campaign this year, but that he would not "shift the foreign policy of this country because of political expediency."

In purely electoral terms, however, he and the Republican party have little to lose, since the Democrats habitually win over 70 per cent of Jewish votes.

Many members of Congress have concluded, moreover, that they can afford to oppose the loan guarantees.

If no foreign aid bill goes forward, congressional lobbyists say there would be little chance of attaching the loan guarantees to the continuing resolution, simply carrying forward past authorisations, that would probably be used to allow programmes to survive.

The US administration has told Congress that it wants to sell F-15 fighters built by McDonnell Douglas to Saudi Arabia, writes George Graham.

The 72 F-15s, worth an estimated $5bn, are understood to feature on a classified list of possible arms sales the administration is obliged to give Congress each year. McDonnell Douglas has argued vigorously for the sales, contending that if the US refuses to allow Saudi Arabia to buy F-15s, it will instead turn to European-built Tornadoes and possibly also join the European Fighter Aircraft development programme.

Israel worries about future US pressure

By Judy Maltz in Jerusalem

MR Benjamin Netanyahu, Israel's deputy prime minister, said yesterday Israel would reject a US ultimatum linking the provision of $10bn (£5.7bn) in loan guarantees to a halt on Jewish settlements in the occupied territories.

He warned that if the Jewish state accepted this ultimatum, it would find itself under pressure to succumb to further American demands in the future.

"Any government - I hope a responsible government, and Israel is one - will draw a line and say no. Don't pile on pressure when it comes to human consideration. We will stand and we will not adopt this draconian choice between land and people," Mr Netanyahu told reporters in the first official reaction to the ultimatum to come out of prime minister Yitzhak Shamir's office. Mr Shamir himself remained silent.

Ever since it became clear Washington would issue the ultimatum, some Israeli politicians have said the US may be using the loan guarantees in order to bring down Mr Shamir's hard-line government.

It is widely believed the Americans would prefer the more dovish Labour party, which favours a significant slowdown if not a complete halt to settlement activities, to emerge victorious in the June elections.

Explaining why Israel could not accept the US conditions, Mr Netanyahu said: "What do we have next? Pressure on relinquishing East Jerusalem? Pressure on absorbing or receiving in Israel millions of Arab refugees?"

Mr Yitzhak Moda'i, the finance minister, has let it be known that his ministry is formulating contingency plans for raising money to absorb Soviet Jews, should the loan guarantee request be rejected. Ministry officials say these plans include a rapid acceleration of the country's privatisation programme and an appeal for aid from world Jewry.

Stark choice for white voters

Patti Waldmeir on Domesday threats in S Africa's referendum

ARE YOU going to vote for a good future, or a good past?

This is the question that over the next three weeks Mr Derek Christophers, a member of parliament for the ruling National party, will put to thousands of his constituents in the conservative Johannesburg suburb of Germiston. He will lunch them, dine them, visit them at home, to plead for their support in South Africa's March 17 referendum. His message is simple: "Vote for us, or vote for war."

The referendum, the date for which was announced on Monday by President F W de Klerk, will face South Africa's whites with the biggest political choice they have ever been asked to make: whether to abandon their 350-year position of dominance in favour of sharing power with a black majority, or to fight for racial purity in a homeland which would become an international pariah.

"All the (opposition) Conservatives can offer people," says Mr Christophers, who helped plan the National party's campaign, "is a good past." His party's message that a "yes" vote would lead to a prosperous and secure future.

As could be expected, the wording of the question favours the ruling party and is designed to be vague enough to win approval from all but the most committed white supremacist: "Do you support continuation of the reform process which the State President began on 2nd February, 1990, and which is aimed at a new constitution through negotiation?"

February 2, 1990, was the date on which Mr de Klerk legalised black political opposition.

On the other hand, the proffered consequences of a "no" vote are designed to concentrate the mind: Mr de Klerk would resign and call a general election, which the Conservatives would win on a pro-apartheid ticket.

Black liberation groups would resume violent struggle, and international sanctions would be applied with a vengeance. Skilled whites would emigrate, international lending would stop, and South Africa's future would be bleaker than ever.

Mr de Klerk is clearly hoping that the NP, liberals and everyone to the left of the most hard-line racist will turn out to avoid that outcome.

But he knows that his support is based more on fear of the alternative than positive approval of his policies, which are too vague to inspire much confidence.

He is, in effect, asking for a blank cheque to negotiate a power-sharing constitution, which amounts to black rule without black domination. While few whites - even in the ruling party - really believe he can achieve that, but the campaign could turn on Mr de Klerk's powers of persuasion as he is called on to defend his policies in detail for preventing domination.

On the other hand, many whites will not want to pass up their last chance to keep blacks out of power, knowing they will be given no further opportunity to stop the reform process. If Mr de Klerk wins, he will implement a new constitution without seeking ratification.

But the "no" vote will be diluted by divisions on the right: the ultra-right Afrikaner Weerstandsbeweging (Afrikaner Resistance Movement) has called for a boycott, and other radical groups could follow suit.

Moreover, at the national level, every mass circulation daily in the country will push for a "yes" vote.

And though the state-controlled South African Broadcasting Corporation will probably guarantee equal air time for opponents and proponents, its political bias is likely to show through as clearly now as in the past: the SABC supports the ruling party.

The Conservatives have a formidable political machine at local level, and are, according to Mr Christophers, "all prepared to die for their party." Yet, when the Conservatives launched their campaign yesterday with a live radio broadcast from leader Andries Treurnicht, the effect was far from scintillating.

The lacklustre Mr Treurnicht referred several times to the possibility of defeat - he and other top party leaders are understood to have preferred a boycott, but their caucus insisted on a fight - and with his subdued delivery and outdated rhetoric he did little to inspire the troops.

Indeed, the urbane and modern Mr de Klerk would win a straight personality contest hands-down.

But the question facing South Africa's 3m white voters is more elemental than that: Afrikaners feel their language, their culture, their history are at risk; other whites fear economic penury.

Mr de Klerk's performance may be more impressive, but Mr Treurnicht's message - that whites can only survive in a separate homeland loosely federated to neighbouring black states - strikes a powerful chord.

AMERICAN NEWS

Brazil suffers setback in Paris Club debt talks

By Christina Lamb in Rio de Janeiro

BRAZIL's initial proposal for the rescheduling of its $21bn-$22bn debt with the Paris Club group of creditor governments has been rejected in the first day of negotiations in Paris. However, Brazilian economy ministry officials yesterday remained confident agreement would be reached this week.

The Brazilian negotiating team, led by Mr Francisco Gros, the central bank governor, was working on a new proposal yesterday after German and Japanese representatives had refused to accept Brazil's original offer.

The main sticking point is Brazil's insistence on including in the rescheduling, debt that was rescheduled in the last accord in 1988. Mr Gros said on Friday that this accord had created an excessive concentration of repayments over the next two years.

Brazil's original proposal asked for the rescheduling of $13.5bn over 18 years. This includes $8.6bn in arrears and $4.9bn in payments due over the next two years as a result of the 1988 accord. Only in exceptional circumstances does the Paris Club agree to reschedule already rescheduled debt and Brazil's non-payment of interest for the last three years has not endeared it to official creditors.

They complain that they have been receiving worse treatment than the commercial banks to which Brazil started paying 30 per cent of due interest last year.

According to Brazilian economy ministry officials, the Germans and Japanese are insisting that Brazil respect the 1988 accord. The Brazilian team pointed out that it has not asked for a reduction of the principal and maintains that it does not have the capacity to pay under the previous terms. However, creditors believe that Brazilian reserves are now at their highest levels since the start of the debt crisis.

Despite these differences the negotiations are said to be taking place in a favourable climate and Brazil has received unexpected support from the presence of Mr Enrique Iglesias, head of the Inter-American Development Bank, who has flown to Paris specially to make a personal presentation backing the government's new stabilisation programme.

Drugs summit rebuff for the US

By Sally Bowen in Lima

US proposals to allow cross-border pursuit of drug traffickers in Latin America have been dropped from the draft declaration for the seven-nation drugs summit convening today in San Antonio, Texas.

Unless revived at the two-day summit, the dropping of the US proposals represents a victory for the three Andean countries which produce the overwhelming majority of the world's coca, the leaf from which cocaine is derived. Peru, Bolivia and Colombia saw the proposals as potential US threats to their sovereignty.

US-drafted "talking points" used as the basis for pre-San Antonio negotiations earlier this month in Quito, had pressed for formation of a "regional conference and action group" with wide powers of bilateral and multilateral sanction.

Common jurisdiction over sea and airspace would, under the proposal, have allowed aircraft or warships of one member country to enter another's territory in pursuit of drugs traffickers. The Andean Commission of Jurists said that these rights "would in fact be exercised by that member with the means and desire to execute them" – in other words, the US.

All such controversial proposals have been eliminated from the joint statement, which merely calls for "mutual co-operation... with full respect for the sovereignty and territorial integrity of our nations".

In addition to the US and the three Andean coca producers who met at the last drugs summit in Cartagena two years ago, the presidents of Mexico and Ecuador will attend. The Venezuelan president, Mr Carlos Andrés Pérez, was also due to attend, although is reported to have changed his plans after this month's coup attempt.

The draft declaration "vigorously" reaffirms the Cartagena declaration of two years ago. It claims advances – some of which are disputed elsewhere – in reducing production of and demand for coca and areas under cultivation, in creating alternative development programmes and in dismantling transnational drugs trafficking organisations and financial networks.

The declaration, however, admits that the Cartagena objectives on coca crop substitution "have not been altogether fulfilled". It expresses hopes that an "important new initiative" for training, technical assistance in marketing and animal and plant health will improve matters.

The Andean countries call for, and the US takes note of, the need for an "Alternative Development Facility" under the umbrella of an international financial institution. This would provide short-term financing until alternative development plans mature.

The heads of state call upon the countries of Europe and Asia, expanding markets for cocaine, to co-operate in the fight against drugs. But success in the fight is principally depicted economically, as dependent upon "strong economies and innovative economic initiatives".

Caterpillar digs in for bruising fight

The auto workers union may force a concession on pay, but at the expense of jobs later, writes Barbara Durr

THE three-month labour dispute between Caterpillar, the world's largest maker of earth-moving equipment, and the powerful United Auto Workers union is becoming more and more bruising.

After last week's failure to restart negotiations, the company and the union have dug in for a protracted battle which observers believe will produce no real winners. Bets are that the dispute could rival the seven-month strike of 1982-1983, the longest in UAW history.

The union, which in early November sent out on strike only 2,400 workers, last week sent out a further 8,400, bringing the total to two-thirds of its members at Caterpillar. This included the 5,650 workers whom the company had locked out as a retaliatory step in November but had recalled nine days ago.

The union is determined to win a pattern contract agreement from Caterpillar comparable with the one that it agreed last year with Deere & Co, another heavy equipment manufacturer. Pattern agreements, which are designed to establish contract patterns throughout an industry, are the heart and soul of the UAW's strength, particularly in relation to the big US car makers.

The three-year Deere agreement, which is broadly in line with the UAW's auto company contracts, includes a 3 per cent general wage increase in the first year, 3 per cent lump sum bonuses in the second and third years, and job security and benefits provisions wanted by the union.

Caterpillar, based in Peoria, Illinois, says it must have an agreement that will allow it to continue to be internationally competitive. Last year, sales outside the US accounted for $5.8bn, or 59 per cent, of the company's $9.84bn total. It says a pattern agreement would undercut its long-term viability.

The company, which lost $404m in 1991, claims that the strike did not have a significant effect on last year's results but says the dispute is "seriously clouding the outlook" for this year. A first-quarter loss is now expected, and, as the spring construction season arrives, the company may face difficulties in meeting orders despite having built up several months of inventory before the strike.

The company vows "to do whatever it takes to keep customers from buying competitors' products," and speculation has grown that, if a settlement is not reached soon, the company may try to employ non-union replacement workers. This has been fuelled by Caterpillar's recent engagement of Vance International, the private security firm known for its tough tactics in several other labour disputes in recent years involving companies' attempts to break their unions.

Caterpillar says that it hired Vance after receiving threats, and that it had to take "steps to protect its people and property".

Security analysts take a dim view of the possibility of the hiring of replacement workers. "If they do that, you'll have a war in Peoria," said Mr Tobias Levkovich, a security analyst with Smith Barney Upham.

Labour experts say Caterpillar management is more likely eventually to concede a pattern agreement and then quietly move as many jobs as possible, either overseas or to non-union US plants, giving the UAW a Pyrrhic victory.

The union, however, cannot afford to flinch: if a Caterpillar precedent is set that breaks the tradition of pattern agreements, it could face a demand from the car makers to re-open negotiations and thereby risk having its power undermined.

Moreover, this is a delicate time for the UAW leadership, which faces re-election in June at the union's triennial convention. It will not want to serve up to its members a defeat in Peoria and bleak prospects in the nation's car-making capital of Detroit. In an attempt to demonstrate union might and solidarity, the UAW leadership has called on its own members and those of other unions to march in Peoria on March 22. The UAW will be hoping that the march will not prove to be its last big stand.

● The Caterpillar-UAW dispute is spilling over ominously into the economy of Illinois, where the company has its largest operations. The length of the strike will be a significant element in determining when the state can emerge from recession, according to Ms Diane Swonk, First Chicago's economist for the Midwest region. She calculates that as many as 7,000 of the 17,000 manufacturing jobs lost in the state last year were related to the strike.

El Salvador clinches aid from EC

By Patrick Blum in Lisbon

THE European Community will step up economic and political co-operation with Central America to promote development and human rights, following a meeting of EC and Central American foreign ministers which ended in Lisbon yesterday.

Several programmes of economic and technical assistance were agreed, including Ecu13.8m (£9.78m) to help improve telecommunications in the six Central American countries, and a separate Ecu7m for El Salvador to support small enterprises and projects in areas most affected by the 12-year civil war.

Assistance to support national reconstruction in El Salvador was also discussed yesterday in a separate meeting called by Portugal, the current EC president, with representatives from the Community, the US, Canada, Japan, other donor countries, and the International Monetary Fund and World Bank.

El Salvador's government says it needs around $1bn to rebuild the economy following the civil war. The EC has already promised up to Ecu50m.

In Washington yesterday, President Alfredo Cristiani of El Salvador said he expected the US to provide around $250m in reconstruction aid. The Bush administration has asked Congress to approve the aid and has promised to give its full support to moves to help rebuild El Salvador's economy, Mr Cristiani said.

The announcement came as a surprise to EC officials who reacted with some irritation. "It's another example of the US jumping on an initiative without telling anyone else and claiming leadership," said one diplomat in Lisbon.

Support for human rights and democracy were dominant concerns among EC ministers who also agreed to an Ecu1.5m programme for the promotion of human rights in the region. This will help to provide better training for police and armed forces, and support human rights initiatives.

Aristide deal sparks protest

A WEEKEND accord aimed at the eventual return of Haiti's ousted President Jean-Bertrand Aristide has angered right-wingers, touching off a demonstration by more than 200 of his foes outside the Legislative Palace (above).

The deal, struck in Washington by Mr Aristide and some leading Haitian lawmakers, appeared in danger of unravelling yesterday, with Mr Aristide saying further talks were necessary on the fate of the army chief who overthrew him.

Mr Aristide and prime minister-designate Rene Theodore were also apparently unable to come to terms on the ground rules for power-sharing.

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Generator pulls out of big coal import terminal

By Juliet Sychrava

PLANS for Britain's largest coal import terminal have been abandoned after a row between Associated British Ports (ABP) and PowerGen, one of the two electricity generators involved in the £150m project.

The terminal was to have been built on the north east coast of England at Immingham and contracts for its construction were close to being awarded. The terminal, due to open in 1994, posed a serious threat to British Coal as it would have allowed the generators to replace 10m tonnes a year of the 65m tonnes of coal they buy from it with imports.

ABP, which was managing the project, yesterday blamed the cancellation on the refusal of one generator to agree to sign final contracts this week. It did not name the generator, but it is understood to be PowerGen. The other generator involved in the project is National Power.

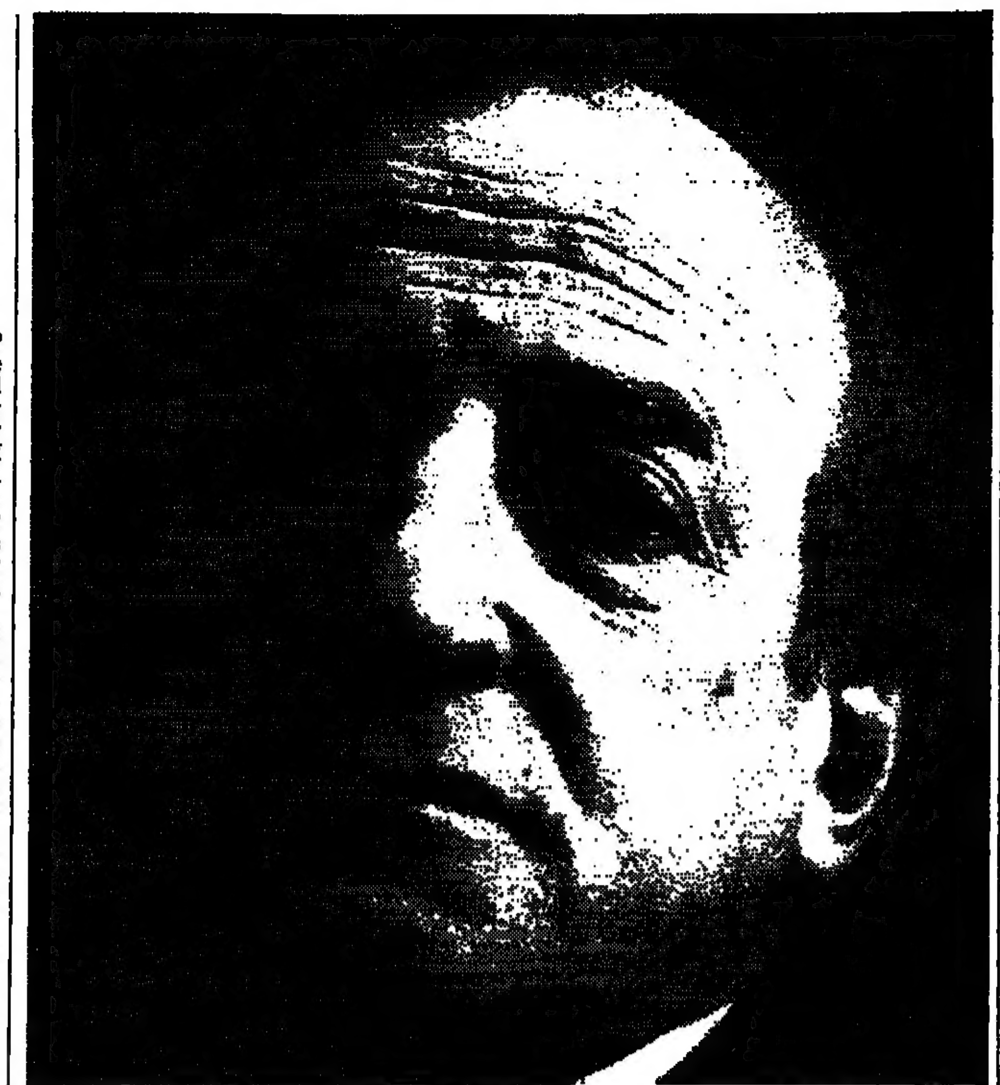
"We finally decided that enough was enough," said Sir Keith Stuart, the company's chairman. ABP had had parliamentary permission to develop the site since June 1990 and was still waiting to go ahead. "We have lost valuable time," he said.

It was claimed yesterday that PowerGen had asked ABP to delay the final signing of the project until after the general election. "The Labour party had a go at them and said they would let the terminal rot if they got in," a senior coal industry executive said. "PowerGen is not a big partner in the project, and they were prepared to hold off till after the election, but ABP forced the pace."

PowerGen acknowledged it had not welcomed the political attention focused on the project. But the company stressed it had not agreed when the final signature would take place. "Our negotiations on this deal were ongoing and we believe the action ABP has taken is precipitous," it said.

PowerGen denied it lacked commitment to the terminal project, which it had itself initiated, and it said ABP's decision had come as a total surprise. National Power said ABP's decision was "not in accordance with the company's wishes." Both generators said they would look at alternative import terminal projects.

"We've been urging the generators and anyone else prepared to listen to take note of the rapidly increasing competitiveness of British Coal," British Coal commented yesterday.



Lord Justice Taylor, pictured above, was yesterday named as successor to Lord Lane, the controversial Lord Chief Justice – England's senior judge. He set out immediately to restore confidence in the criminal legal system which has been undermined by public anxiety over recent cases of miscarriage of justice. He added that juries were likely to continue making large awards against newspapers until the Press Complaints Commisssion was given greater powers.

BRITAIN IN BRIEF

Bureaux de Change rules overhauled

The Department of Trade and Industry has announced measures to tighten controls on Bureaux de Change.

Mr Edward Leigh, consumer affairs minister at the DTI, said that in future full information on commission rates must be given the same prominence as the exchange rates themselves.

Advertised exchange rates must now give full details on the terms on which transactions are made – if operators buy and sell currency at different rates, or offer different rates for travellers' cheques, these much be shown.

Major to meet Irish leader

Mr Albert Reynolds has his first meeting as Irish prime minister with Mr John Major today amid only faintly optimistic signs that Northern Ireland's political leaders are edging towards re-starting "round-table" negotiations.

Both prime ministers are anxious to promote a dialogue between the two governments in order to avoid creating a lull in political activity which would encourage terrorists.

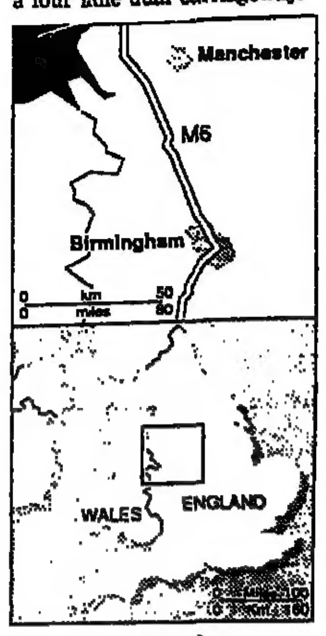
ITC defeats legal challenge

The Independent Television Commission (ITC) has successfully beat off an appeal to the House of Lords, Britain's most senior court, over the distribution of new television broadcasting licences.

Television South West had gone to the Law Lords to try to overturn an Appeal Court decision that the ITC had not been unfair in rejecting its £16.11m bid. The decision of the Law Lords effectively ends the prospect that the ITC's decisions will be legally challenged by other aggrieved losers.

Private road abandoned

The government has abandoned plans to build a privately financed toll motorway between Manchester and Birmingham. Instead it proposes to widen the existing M6 motorway from a three land to a four lane dual carriageway.



The transport department estimated that widening the motorway by an extra lane between Birmingham and Manchester would cost £450m.

Policy move on environment

Mr John Major, the prime minister, will today try to reconcile differences in the government over the pace of Britain's efforts to cut emissions of greenhouse gases and reduce the risk of global warming.

The matter will be discussed by a cabinet committee set up to monitor progress on the commitments made in the 1990 environment policy document. The intention is to agree a policy to present to next week's meeting in New York of the preparatory meeting to prepare the way for the Earth Summit in Rio de Janeiro in June. It is hoped to agree an international convention on global warming at Rio.

Ford union threatens action

Union leaders at Ford UK yesterday promised "a major reaction" if the company goes ahead with a plan to slim down two research and development centres in Essex and concentrate R&D work in Germany.

A document, leaked to the Amalgamated Engineering Union, talks of shrinking Dunton, Ford's biggest R&D centre in Europe, and Aveley, as an "option" which "does not represent company policy".

If the plan did go ahead it would mean transferring to Germany about 1200 of the 4,000 jobs at the two centres.

Share scheme collapses

A proposed joint venture between UK banks to handle some aspects of share registration appeared to have collapsed as two leading clearers rejected the idea.

A bank that promoted the idea, National Westminster, claims it would lead to lower costs for listed companies and make share ownership simpler for private individuals.

But Lloyds and Barclays, which together control about 50 per cent of the registration market, have rejected the idea.

Dealer misused clients' funds

An authorised securities dealer misused clients' funds to prop up his business while pretending to carry out their instructions and issuing them with false contracts notes, according to evidence heard at Southwark Crown Court in London.

Mr Andrew Kimmins pleaded guilty to two charges of fraudulent trading. The charges say that between November 1986 and December 1988 he was knowingly party to continued business activities at Blade Securities and Blade Investments, both of Brompton Road, London, with intent to defraud creditors. He will be sentenced later.

Beer goes flat..

Beer production in the UK fell by 3.6 per cent last year to 37.18m barrels – the worst annual decrease since 1981, according to Britain's Brewers' Society.

Dispute defused at Lloyd's

By Richard Lapper and David Owen

A DISPUTE over the appointment of Sir David Walker, chairman of the Securities and Investment Board, to head an inquiry into alleged malpractices at the Lloyd's insurance market, was defused yesterday at a meeting between Tory MPs and leading members of the market.

Mr Alfred Doll-Steinberg, chairman of an action group of Names – the individuals whose wealth backs underwriting – said he was now convinced of the independence of Sir David, who also attended yesterday's meeting. Earlier in the week some Names had questioned the appointment of Sir David, who is also a member of the Lloyd's council, the market's governing body.

Mr Doll-Steinberg, representing Names on catastrophe reinsurance syndicates formerly managed by the Gooda Walker agency, said he was impressed with Sir David's forthrightness. "We had some reservations at the beginning, but having heard him and met him, whatever reservations we had have been unconditionally withdrawn."

Together with a delegation of four Conservative MPs, including Sir William Clark, chairman of the Conservative backbench finance committee, and three other Names' leaders, Mr Doll-Steinberg met Sir David and leaders of the Lloyd's market, including Mr David Coleridge, chairman, yesterday.

Sir William described the meeting as "very successful." He had received "categorical assurances" that Sir David's terms of reference would be very wide, he said.

Names on Gooda Walker, which managed a number of syndicates that have suffered devastating losses in 1989 and 1990, are among those seeking injunctions to prevent Lloyd's drawing down from the Names' funds to meet cash calls.

Employment department plans to axe 800 posts

By Lisa Wood, Labour Staff

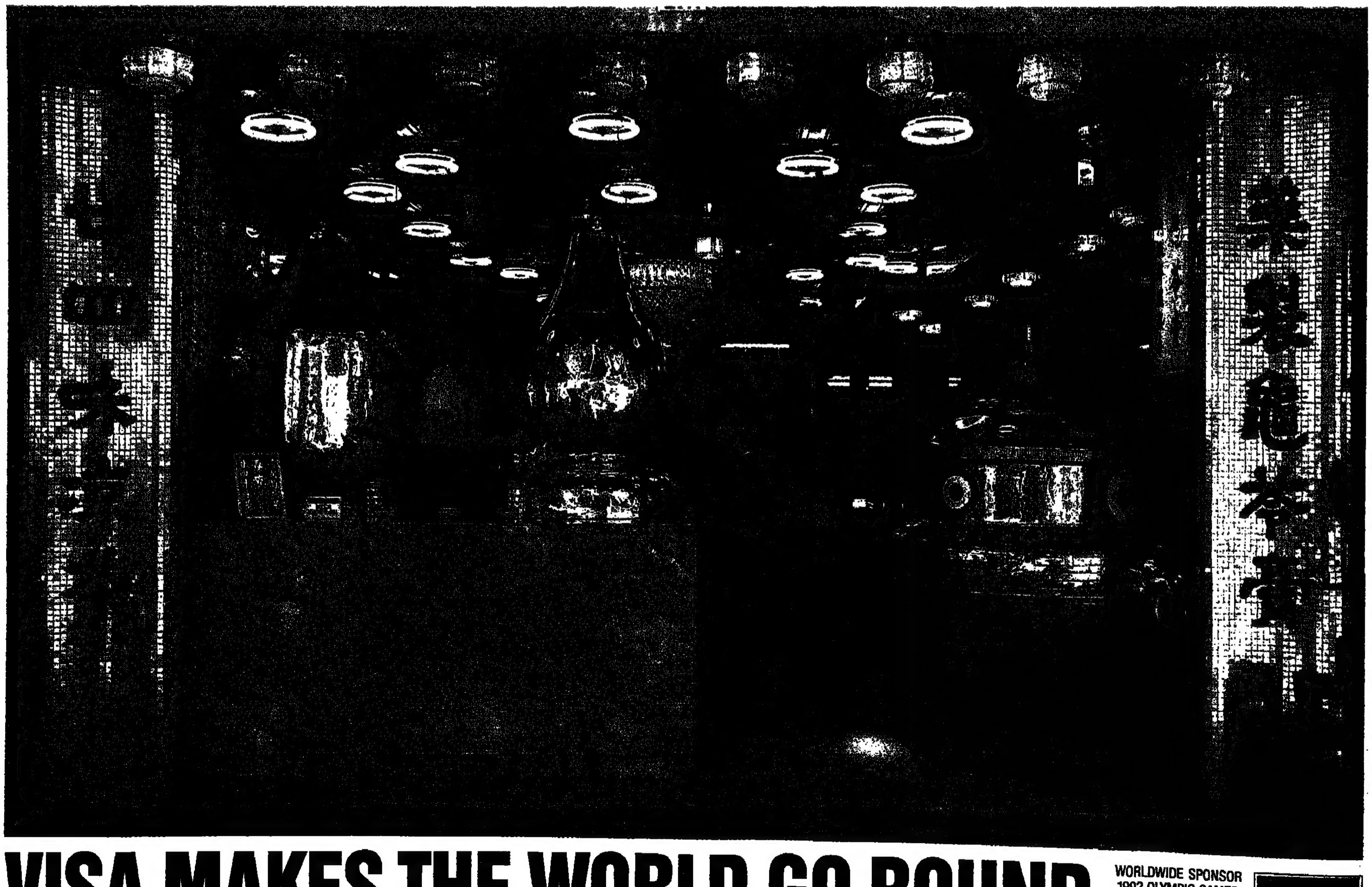
THE government department trying to get more people into employment is to axe about 800 posts, it was announced yesterday.

Five hundred of the jobs will be shed in the Department of Employment's nine regional offices, which administer the new Training and Enterprise Councils (Tecs) and about 300 will go at the central directorate in Sheffield.

Mr Michael Howard, the employment secretary said yesterday there was "every likelihood" the cutbacks would be achieved through voluntary measures.

The CPSA union, which along with the NUCPS represents the majority of government officials, said it was appalled at the job cuts. "They are particularly bad coming at a time of extremely high unemployment," said an official.

The department is one of the government's biggest with 57,000 employees. Mr Tony Blair, Labour's employment spokesman said yesterday he had written to Mr Howard demanding assurances that the cuts would not affect training provision.



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UK NEWS

BAe agrees deal with European helicopter group

By Paul Betts, Aerospace Correspondent, in Singapore

BRITISH Aerospace (BAe), the UK defence equipment and aircraft manufacturer, has reached an agreement to link up with the Franco-German Eurocopter consortium to bid for the Ministry of Defence's £700m contract for about 100 new attack helicopters.

The agreement will pit BAe and the Franco-German group against a rival partnership between Westland, the UK helicopter manufacturer, and McDonnell Douglas of the US.

It could also help BAe expand its interests in the helicopter business in which it has had a limited presence.

Eurocopter is the world's second largest helicopter manufacturer after Sikorsky of the US and was formed at the beginning of this year when Aerospatiale of France merged its helicopter activities with Deutsche Aerospace.

Mr Jean François Bigay, the Eurocopter chairman, yesterday said the agreement with BAe would study how the two companies could put together a joint bid using Eurocopter's Tiger helicopter to win the MoD's order for 100 aircraft.

The Tiger, ordered already by the French and German armed forces, will be powered by an engine manufactured by a consortium including Rolls-Royce, MTU of Germany and Turbomeca of France.

The Tiger would be competing against the McDonnell-Douglas Apache helicopter which would be produced in co-operation with Westland to meet UK requirements.

The MoD is expected to seek official bids for its attack helicopter requirement by the middle of next year with a final decision on its choice sometime late in 1993 or in 1994.

Eurcopter had tried to join forces with Westland, but the UK company decided instead to team up with McDonnell Douglas. Eurocopter turned to BAe as it needed a UK partner to help its chances of winning an MoD contract.

BAe, in partnership with the UK General Electric Company (GEC), last year bid unsuccessfully for the contract to be prime contractor for the Royal Navy's EH101 Merlin anti-submarine helicopters. The contract went to a partnership between IBM and Westland.

Japanese talks, Page 14

Bank defends benefits of market deregulation

By David Barchard

IN spite of the upheavals in the *financial services sector* in the past few years, there is no possibility of returning to the situation before financial markets were deregulated, Mr Brian Quinn, executive director of the Bank of England, said yesterday.

Speaking at a Financial Times conference on International Banking in London, Mr Quinn defended the deregulation of financial services markets in the 1980s saying they had made a much wider range of choice.

Mr Quinn did, however, warn about the growing costs of maintaining an orderly banking system.

Mr Quinn revealed that the *Bank of England and other* banking supervisors in the Basle Committee were examining the criteria for bank authorisation and communication in the light of recent developments, including the possibility of requiring banking groups with complex structures to have greater transparency in their operations.

But in reply to a question about Bank of Credit and Commerce, Mr Quinn said he felt it was important not to overreact to the BCCI episode. "BCCI was a unique organisation in my experience. I have never seen anything like it before or since." he said.

Yesterday Michael Cassell's pre-election tour of England focused on the north east. Today he visits the birthplace of Thatcherism and gauges whether 13 years of Tory rule have primed the electorate to vote for John Major's brand of conservatism or opt for the new-look opposition Labour Party. All the signs point to an early general election, perhaps on April 9, and an undecided electorate.

The mood of Britain

Voters haunted by enduring Thatcher legacy

Farmer's tale under the Tories: Richard Willoughby will not be encouraging his sons to work the land in the 1990s

PAUL NESBITT doesn't shout about it but he can arrange for people *to sleep in Mrs Thatcher's* bedroom for £19 a night: "Some are delighted but others might be horrified at the prospect. You have to play it carefully", he stresses.

Nesbitt owns the corner property at the junction of North Parade and Broad Street in Grantham, central England, home for Margaret Hilda Roberts during the first, formative years of her life.

He runs the *Premier* restaurant from the former grocery shop and offers bed and breakfast above.

"The Thatcher connection, like the woman herself I suppose, *has been a bit of* a mixed blessing. As far as I am concerned, a Tory £5 note is as good as a Labour £5 note but some people certainly stayed away because of her. We've been busier since she lost the job".

The business community as a whole might share Nesbitt's mixed feelings after a period in which entrepreneurialism was given its head, only to be reined back by all the old, familiar problems of recession.

Even so, with 50,000 businesses failing last year – the *equivalent of tearing out every* fiftieth page of Yellow Pages – the Tories cling to their *mantle of the party of* business; their corporate supporters may feel badly let down but many will still find it hard to endorse a Labour party bloated on City of London lunches in its search for acceptability.

The chatty proprietor of the Premier is not particularly impressed with the Conservative record as *the* party of small business: "They are meant to be on our side but *they have taken decisions* which hardly suggest they understand the pressures we face."

Paul Hodgkinson, a Lincolnshire businessman on a *grander scale*, is *much* more complimentary. His private property and construction group – chosen by the Duke and Duchess of York to build their royal ranch-house in Windsor Great Park – has grown by more than ten times in as many years.

But he continues to resist the temptation to float Simons Group, his £120m turnover business: "Too many middle-sized companies were lured during the 1980s into getting a "get-rich-quick" quote and have been forced to doff their *cap to their share price and to* short-termism."

Such businesses, he *suggests, provide the bedrock of* economic success in countries like Japan and Germany but too many in Britain were swallowed up during a period of "free market euphoria".

But as he looks from his window towards Lincoln cathedral, a medieval monument to an earlier age of enterprise and wealth, he praises 1980s progress in "freeing up the entire thought process which permits *business to succeed*.

"We were a risk-averse nation but a new generation *has been taught to go for it*. Companies will always go bust in a capitalist system but there should be no *stigma* attached to it; people should be encouraged to pick themselves up and start all over again."

He suggests that, even now, insufficient numbers of people understand that wealth creation is the principal plank upon which everything else depends.

In the windswept hamlet of Wasps' Nest, to the north of Grantham, Mrs Cathy Ward, a former primary school teacher who now runs adult education classes, says opting out for schools is "just another exam*ple of the two-tier approach to* the provision of essential public services".

The change, she says, may well hand greater discretion over spending to good, middle-class schools but the real issue is the level of resources itself. "It's fashionable to say you can't solve problems by throwing money at them. It would be nice, just once, to give it a try. Let's have less talk about a revolution in education and more textbooks in the classroom."

All around *tiny pockets of* habitation like Sotts Hole and Stixwould, another revolution *is under way*.

Striking east across Nocton Fen towards the "calm and deep peace" of the poet Tennyson's Lincolnshire Wolds, or south-east over ancient marshlands which once hid king Hereward the Wake, lie some of Britain's richest soils.

Forty well-farmed acres in such parts would once provide a good living for a hard-working family. Not, it seems, any more, with real incomes here and throughout the farming community now judged to have fallen to their lowest level in the whole post-war period.

In one of the most efficient and fertile agricultural areas in *Europe, the whole notion of* family farming appears to be under threat. Old dynasties have been replaced by remote, institutional owners employing extensive farming methods across expanding, agricultural empires.

Richard Willoughby, who farms more than 400 acres near Alford, under the gentle slopes of the Wolds and a few miles from "bracing" Skegness on the coast, is not an institutional squire. He knows all the jokes about Volvo-driving *farmers pleading poverty* but says there is real cause for complaint.

With his brother, he bought his farm in the mid-80s but says he would have been better off remaining as a tenant, given production surpluses, falling crop prices and escalating interest rates.

The farm, he accepts, is looking a bit run down and he cannot replace machinery; some of his neighbours are packing it in. "There are more rules and regulations every year and now farmers are encouraged to let good, productive acreage lie idle. Its madness. I won't be encouraging my two sons to follow me into such madness."

Nigel Lindsay, director of the *Community Council of Lincoln*shire, a voluntarily-funded organisation which aims to keep alive community life, says some farmers are pinning hopes of financial salvation on building houses or golf courses.

Village life, he believes, is increasingly under strain, with jobs on the land disappearing and retiring newcomers dislodging the *locals: "Public transport has* suffered badly in the wake of bus deregulation and rail services have *deteriorated; some* places are now effectively cut off."

Naome Cottrell, *a nursing* home worker, is waiting in Sleaford, a neat market town on the western edge of the fens, to get back to Boston, the 700-year-old seaport where the docks are now promised a brighter, privatised future.

"They say it should bring more jobs into town but it won't make up for those lost.

Anyhow, getting there without a car is bad news. If we are all so much better off, why do we have to wait longer for everything from buses to hospital beds? Answer me that."

Tomorrow: the Midlands and south Wales

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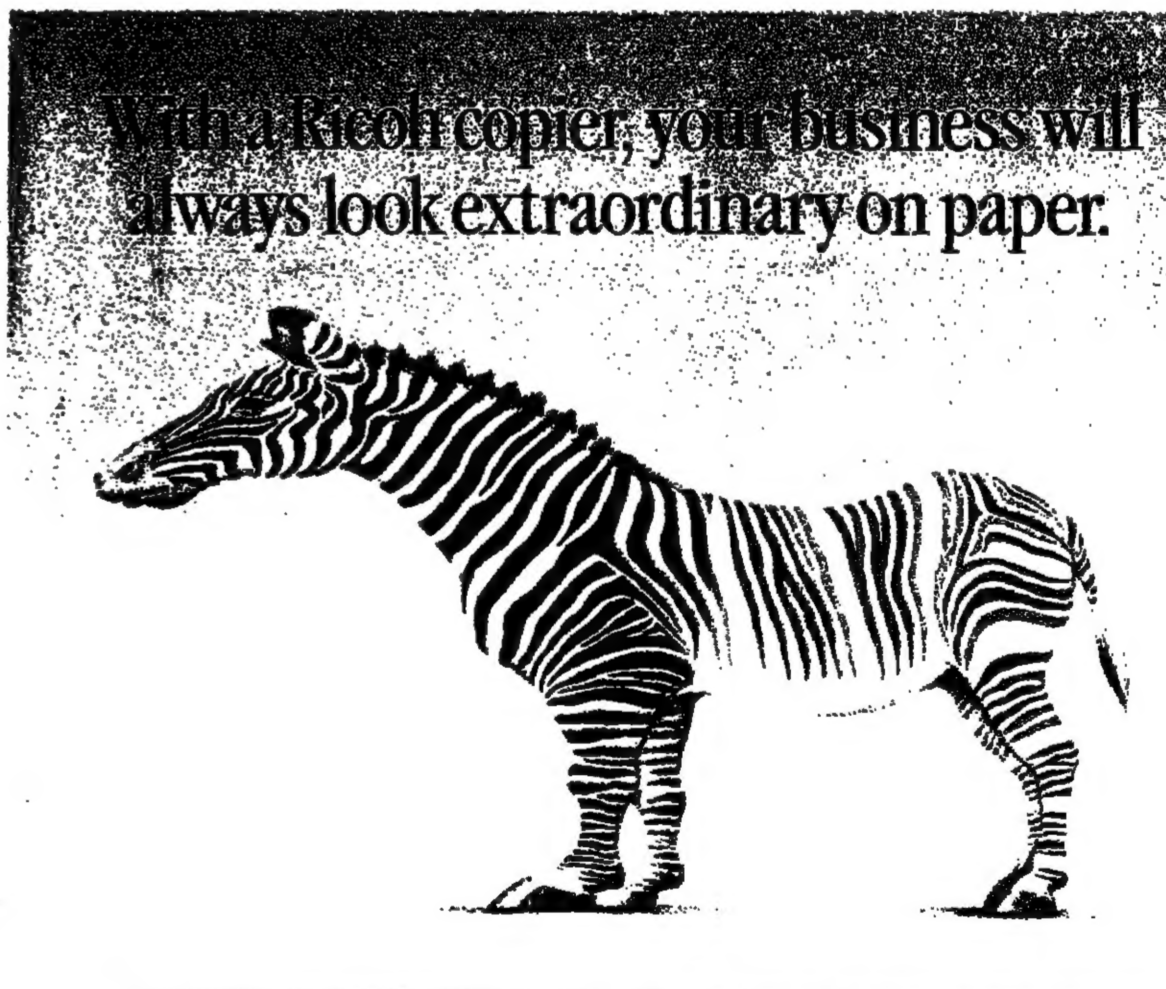

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BUSINESS AND THE ENVIRONMENT

Tribunal flexes its muscles

Hydro-Québec, the big Canadian hydroelectricity producer, has become one of the first companies in the world to appear before a self-appointed international water pollution "tribunal" to defend itself against its critics, marking a departure in the public relations war of words between environmental groups and business.

The Canadian company, the world's fifth largest hydroelectricity producer, voluntarily stood in the "dock" in Amsterdam last week to defend itself against charges of breaching laws and causing serious environmental harm in pursuit of the large-scale James Bay hydroelectric project in northern Québec.

Hydro-Québec, one of the few corporate "defendants" to appear in 10 separate cases heard by the Second International Water Tribunal, was brought to court by the Cree Indians. After a five-hour hearing, the eight-member jury – composed of environmental lawyers, writers and scientists – recognised that Hydro-Québec and the provincial government had entered into a series of agreements with the Indians but said they doubted whether "such a contract adequately reflects the aspirations of the Crees to self-determination and control over resources".

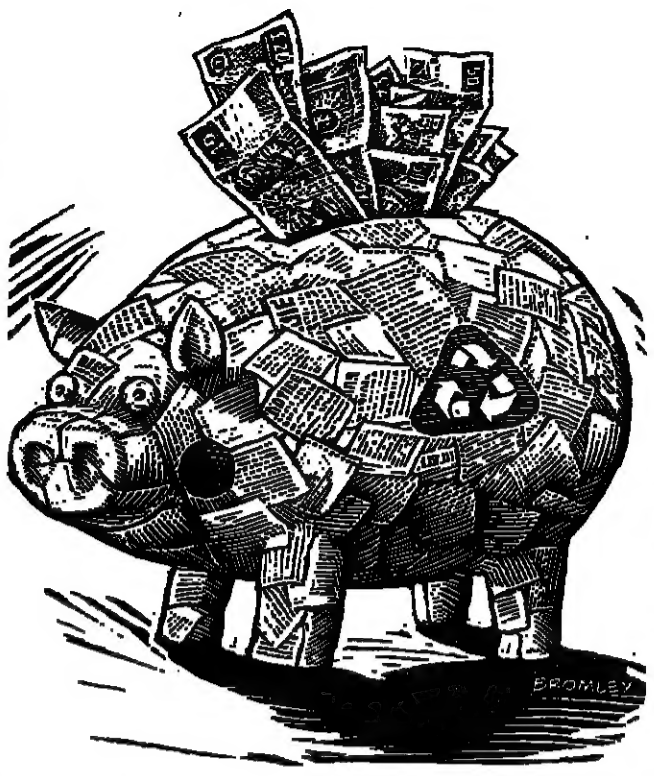
In one other case, representatives of PetroEcuador, the Ecuadorian oil company, also appeared in Amsterdam. This marks a stark contrast to the the first international water tribunal in Rotterdam in 1983, when none of the companies cited in complaints about polluting the Rhine was present.

Jacques Finet, Hydro-Québec's vice-president for Europe, said his appearance before the tribunal was designed to get the company's point of view across to European public opinion. "We are proud of what we do," he said. "We have nothing to hide." His accusers, who included the Cree's chief Matthew Coon-Come, were formidable competitors for media attention. They arrived at a pre-tribunal canal-side press conference in a traditional Indian canoe.

Ronald van de Krol

David Lascelles examines National Westminster Bank's pioneering green audit

Paper chase



National Westminster Bank, the UK's second largest clearing bank, is not the sort of company that belches smoke into the sky or empties chemical waste into rivers.

But it does employ close to 100,000 people, run a fleet of 7,000 vehicles, own 4,000 separate properties, and consume mountains of paper and office equipment. So it cannot ignore the impact this has on the environment.

Nearly a year and a half ago, NatWest decided to try to assess that impact and see what it should do about it. In conjunction with Coopers & Lybrand Deloitte, the accountancy firm, it embarked on an environmental audit of its entire domestic operations. "We literally lifted manhole covers and looked into the drains," says Hilary Thompson, head of the bank's environmental management unit.

Although the purpose was partly altruistic (the bank's new chairman, Lord Alexander, is keen on environmental issues), it was also economic insofar as NatWest wanted to reduce costs. It was even defensive to the extent that NatWest wanted to rebut criticism and prove that it was willing to set an example.

The results of the audit will be published in stages during this year through to October when the programme should be complete. But already work on the support services sector, the largest consumer of supplies and equipment in the bank, and UK retail banking is well advanced, and a picture is beginning to emerge.

The audit is being conducted by two NatWest managers and the Coopers team. In the support services areas they looked at supplies, property management, vehicles, information technology, catering and links with suppliers.

Some of these pose obvious questions: how to make buildings more energy efficient, or vehicles more environmentally friendly, which the bank was addressing already. NatWest is taking the sort of steps you would expect, such as raising the quality of its buildings and "greening" its vehicle fleet. It is also looking at waste management to ensure that in cleaning out its rubbish it is not merely shifting the problem somewhere else – a requirement that will have statutory force in the UK from next April.

A specific problem for banks is paper. NatWest has its own printing division, and the audit examined ways of raising the level of recycled paper. But there are limits to what can be done here. One obstacle is an industry-wide agreement among banks on the quality of paper used in cheques which prevents them being recycled. This would have to be amended if a lower quality was to be accepted.

The paper issue also involved examining the policies of paper suppliers to ensure that they met NatWest's standards and would not cause the bank any embarrassment.

On the information technology side, the audit checked the energy efficiency of equipment, and asked questions like, what is it made of, is it disposable? Experts looked at the software to see whether it could be made to run more efficiently. A technical unit has also been set up to vet new equipment.

Thompson declines to discuss the audit's findings in detail at this stage. But she says that the exercise has been helpful in identifying a wide range of savings. Overall, the savings possible in support services should amount to five or six times the cost of achieving them (as opposed to the cost of the audit itself which Thompson puts in six figures), she believes. Some of the savings will be large, like the £750,000 that NatWest expects to save each year on its new energy-efficient cheque processing centre in Stone in Staffordshire, right down to the 12 per cent saving on making visiting cards out of recycled paper.

However, the cost of actually carrying out the changes required by the audit will be borne by the individual departments concerned on the grounds that they will be the long-run beneficiaries. This will also drive home to individual managers the economic message behind environmental awareness.

Getting people to take the exercise seriously is a major part of Thompson's task. Although the initiative had board approval and is backed by senior management headed by Derek Wanless, a deputy group chief executive, institutional inertia and cynicism could still blunt its impact. Thompson has set up a network of senior sector executives whose job it will be to ensure that all the recommendations are carried out, and that the audit has a continuing impact backed by a detailed timetable.

The intention is to have a follow-up audit in about three years' time. "I don't want people to see the environment as a separate issue," she says. "I want them to put it in their planning."

Aside from whatever internal benefits NatWest derives from the exercise, it also has an external purpose too. NatWest needs to be in a position where it can speak with some authority on environmental matters to other organisations and businesses.

This is increasingly relevant as NatWest now has a policy of examining its business customers' environmental record when making loan decisions. In some cases its managers even require prospective borrowers to conduct an environmental audit of their own (at their own expense) before they approve a loan. This is to protect the bank against exposure to customers whose creditworthiness could be damaged by some environmental disaster.

NatWest claims to be the leader among the UK clearing banks in appointing an environmental supremo and conducting its audit. But other big banking organisations have also begun to make themselves more green.

Barclays, for example, has had an energy efficiency unit operating since 1979, during which time it estimates it has saved the bank £11m. It is also trying to extend the use of recycled paper, cut emissions from its cars and outlaw hardwood furnishings. Lloyds and Midland have also been trying to make themselves more green, though none has so far sought an audit of its own.

URBAN AIR POLLUTION

Putting brakes on the bus cartel

Leslie Crawford breathes the smog in Santiago

SANTIAGO'S chronic smog obliterates its most stunning landmark. The towering Andes that once formed the backdrop to the Chilean capital now exist only in the memories of long-suffering residents and the postcards bought by tourists.

Although Santiago has no heavy industry to speak of, and its population (4.5m) is only a fraction of São Paulo's or Mexico City's, it nevertheless rivals these heavyweights for the dubious distinction of being Latin America's most polluted city.

The reasons for this lie in the capital's untrammelled growth and its dry climate, but above all in misguided free-market policies which encouraged the development of the most chaotic, inefficient and costly public transport system in Latin America.

Chile's former military government lifted controls on bus transport from 1975 onwards until there were no restrictions on routes or fares. Anyone who owned a bus could drive it wherever they pleased. As a result, there are more than 14,000 buses trundling through Santiago. Most run half empty, spewing out diesel fumes and thick clouds of soot from their engines.

Deregulation did not bring about a fall in fares. The lack of alternative transport allows Santiago's 4,000 bus owners to operate a cartel, which controls a $250m-a-year business and rigs prices to mask inefficiencies.

But to grasp the full extent of Santiago's smog problems, one must add 430,000 other vehicles to Santiago's bus fleet, the dust from 700km of unpaved roads and wood burning in homes. The amount of particulate matter – dust, soot, and a choice blend of mutagenic agents – never falls below twice the accepted international health standards. In winter, when a mass of cold air traps the smog near ground level, the concentration of breathable particles can increase five-fold, forcing the closure of schools and industry. Drivers face restrictions of varying degrees for nine months of the year.

Hospitals are overwhelmed by the number of patients with respiratory diseases as soon as the autumn sets in. Their waiting rooms overflow with children attached to vaporisers – a kind of oxygen mask that unblocks obstructed lungs. Pneumonia has become the main cause of infant mortality in Santiago.

The military regime, which stepped down in March 1990, suppressed the results of medical research on the deteriorating health of its inhabitants. President Patricio Aylwin's government has made a brave stab at the problem since taking office less than two years ago. However, its greatest success so far has been political. After an acrimonious year-long conflict with the bus owners' cartel, the Ministry of Transport succeeded in forcing the retirement of the oldest 2,600 buses in circulation with compensation for their owners.

It also put the city's bus routes to tender in an effort to rationalise services and ease traffic flow. This was at first boycotted by the cartel, but its members caved in. The new services, scheduled to begin next month, were awarded on a point system that gave top marks to operators offering newer buses and lower fares.

"Putting the bus routes out to tender has effectively broken the cartel because operators have had to compete on the basis of price and quality," says Juan Escudero, a transport systems analyst at Santiago's Decontamination Commission.

Santiago's police now have the power to carry out spot checks on vehicles belching out exhaust fumes – and order them off the streets. The government has forbidden the import of used motors and spare parts, and from September onwards all imported vehicles will have to come with catalytic converters.

Some of the capital's 1,000 industries are already cleaning up their act, but the investment so far in reducing toxic emissions remains a paltry $18m. The impact of planned tougher legislation remains uncertain while the government lacks inspectors to enforce it.

Escudero would prefer the onus to rest on self-regulation, and he is toying with the idea of a "pollution bourse" where licences permitting specified amounts of contamination could be traded. This would force industries to factor their emissions as an economic cost.

If the idea sounds strange, consider some of the other proposals seriously put forward:

- Blowing up mountains to the north and south of the capital to create an air vent.
- Rain-making machines.
- Fans to lift the smog.

The proposals reflect, perhaps, how desperate Santiago's inhabitants are to improve their environment. When the first electric trolleybuses reappeared last month after 14 years, a trio of old ladies, alighting for the first time, knelt before the conductor and blessed the bus.

Next week's article will focus on Tokyo.

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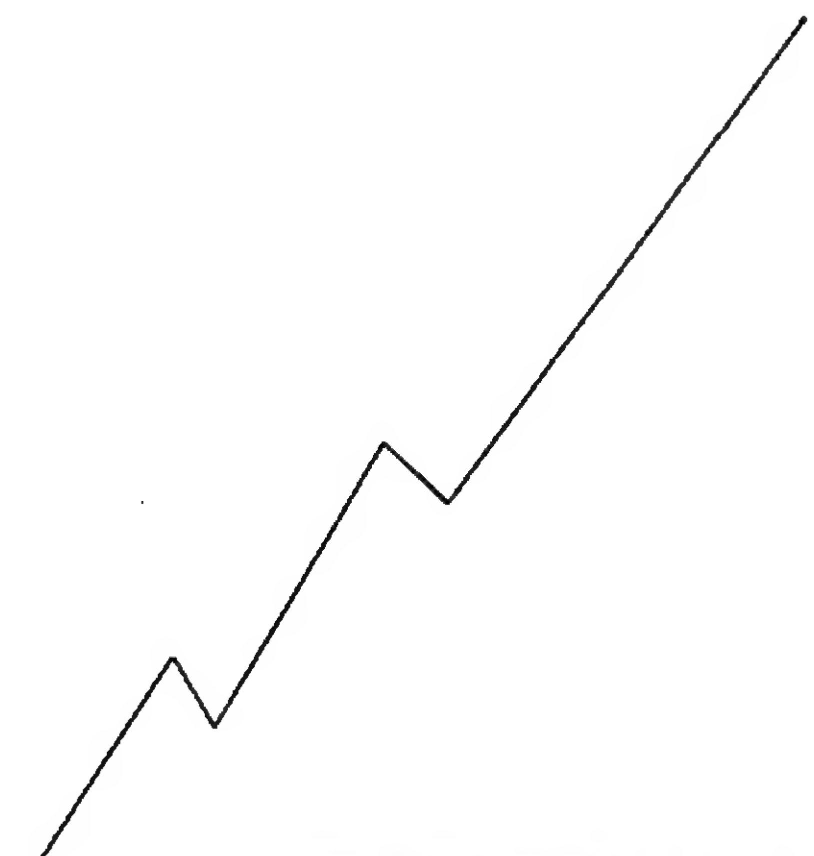

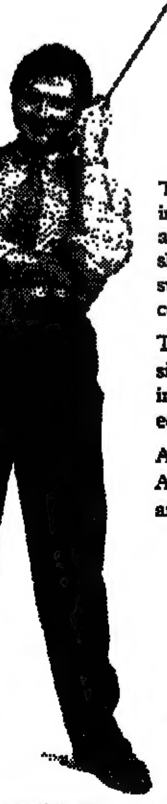

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MANAGEMENT

TAX CHECKLIST

Adding up the cost of a give-away Budget

Tony Allen warns finance directors that Norman Lamont may have plans up his sleeve that would damage their cash flow

Finance directors may have more to fear than look forward to in Norman Lamont's second Budget, now less than a fortnight away.

Despite the expectations of tax cuts for all, March 10 may not be a red-letter day for everyone. Here is a checklist of the main items for finance directors to keep an eye on as they set — or re-set — their own budgets.

Income tax changes

Income tax is bound to be reduced — either by higher thresholds or lower rates — and while this is good news for taxpayers, it is not so good for their employers.

A cut in income tax means a reduction in the amount the employer withholds from wages. At present, companies can hold on to the tax for up to three months before paying it to the Inland Revenue, although the average period is one-and-a-half months.

Any reduction in the amount withheld will reduce the cash flow of companies: for each £1m a year of wages, the cost might be £500 in additional interest costs.

The same principle holds true for any cut in National Insurance contributions.

The basic rate of income tax can be important for companies in other ways. Those which borrow from non-banks are potentially liable to deduct income tax from interest payments. If the rate of tax falls, so will the amount of income tax that the borrower has to withhold — another hit on the cash flow.

One positive effect could be for growing businesses, as a lower rate of income tax will set an equally lower rate of small companies' corporation tax.

This would not benefit them until 1993 at the earliest, given the minimum nine-month delay in paying corporation tax. The small companies' rate now applies to the majority of companies in the UK.

Advance Corporation Tax

Companies are required to pay ACT at the rate of income tax on all dividends. The ACT can be offset against the company's corporation tax, but with significant limitations. It has been estimated that these cost the UK corporate sector £400m a year. Representations on the way that ACT operates have been made for many years, but with little result.

Any reduction in the rate of income tax will reduce the amount of ACT payable on future dividends, which must be good news. However, it will also reduce the amount of the offset in future years unless the rate of corporation tax is also reduced, of which so far there has been little indication.

In other words, companies that are already suffering from having surplus ACT will be less able to relieve the surplus in the future.

Since the accounting rules require surplus ACT to be treated as an additional tax charge, a reduction in the basic income tax rate will perversely cause an increase in many companies' tax charge in their accounts.

Investment allowances

There has been much speculation on whether the Lawson Budget packages of the early 1980s — which cut the level of tax relief on capital investment — might be reversed.

The old, first-year allowances, which gave full tax relief in the year of spend, were said at best to be irrelevant to investment decisions, and at worst to distort them. Now the Confederation of British Industry and others are asking that higher levels of allowances are reintroduced.

This could be done in a number of ways. First-year allowances could be introduced on a higher level of annual relief (currently 25 per cent, on a reducing balance basis) on capital equipment.

Alternatively, Lamont could set different rates for different types of investment, as is the case already in the US, Germany and Japan. It is unlikely that he will consider the lower level of allowances on buildings in the present climate.

A straight-line basis gives equal relief over, say, four years with a 25 per cent rate. The reducing balance basis only gives 70 per cent relief over the same period.

Introducing the straight-line basis would be a very easy change to make and would eliminate the UK's archaic system of calculating allowances and give higher relief at a stroke. The changes would only help those who are tax payers, or have been in the last three years.

Moreover, there is also no new evidence that the decline in investment over the last couple of years is anything to do with the rate of allowances.

The finance director will not get any early benefit from changes in allowances, since they will take effect only over a number of years and accounting rules on deferred taxation may require compensating deferred tax charges. While cash flow may be a little better next year, the company's reported profits may show no benefit.

Finally, additional allowances can take a long time to produce any benefit. If additional reliefs are introduced from April 1 this year for a company that has an accounts date of March 31, the resulting reduction in tax will not help its cash flow until 1994. Even the most pessimistic commentators seem to accept that there should be some improvement in the economy by then.

Monthly accounting for VAT

In an attempt to forestall the national cash flow implications of the changes to VAT accounting in Europe in 1993, Customs & Excise announced last November that the largest UK payers of VAT would be required to pay over their VAT more quickly, on a monthly basis (from the current quarterly basis) from this October.

This will advance by an average of 45 days the VAT payments that these companies currently make. Some of those most affected are appealing to the courts that Customs is exceeding its statutory authority.

One large group has estimated that the additional internal administration costs of meeting the proposal may be £1m. To forestall these problems, Lamont may feel that he should give the proposals more authority, and include them in his Budget.

The author is a partner at Coopers & Lybrand Deloitte

Aztec acts swiftly as sky falls in

By Michael Cassell

Judith Rutherford had barely got her coat off before the bad news broke: "It was a complete shock, the worst possible start. But it handed us a massive challenge."

In December 1990, only one week into the job as chief executive of Aztec, London's first operational training and enterprise council, Rutherford was still preparing a strategy to assist economic growth in the London boroughs of Kingston, Merton and Wandsworth.

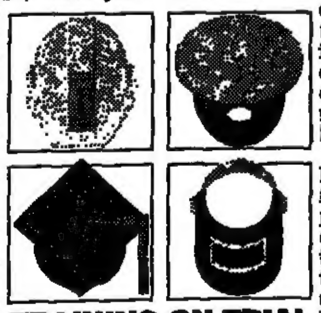
Judith Rutherford: challenge

Out of a clear blue sky, British Aerospace fired a devastating broadside into the heart of the local community. The company announced that it was leaving Kingston, an aircraft town since 1912 when pioneer aviator Tommy Sopwith built his prototype "Camel" there. Generations of Hurricanes, Hunters, Hawks and Harriers were to follow, until the age of defence cuts arrived.

The company, which at the time of the announcement directly employed more than 3,000 people locally in its military aircraft operations and accounted for one third of local manufacturing jobs, will be gone by the end of this year. The last Harrier airframe left the factory this month.

With it went around 500 job opportunities a year, numerous skill training opportunities, more than £12m of spending power from local people's pockets and all hopes that the area could avoid the worst effects of the recession.

"It looked for a while as though most people, apart from the unions, were just going to sit back quietly and let it happen," reflects Rutherford.



TRAINING ON TRIAL

What was a catastrophe for a relatively old, immensely experienced workforce at least provided Aztec with the chance to use its initiative and to employ its untested skills in mobilising a community into action.

Rutherford says she has always seen a broad role for Tecs as brokers, acting as a catalyst to bring a range of local agencies together to help the business community fulfil its potential.

Aztec's board of directors, drawn from the business world, did not think it fit to question the commercial decisions of BAe, which is spending £2m to help ease the pain of closure and advise on jobs, retraining and business start-ups.

But the board was anxious to assess the impact and to consider a strategy for minimizing the damage.

In the first public-private partnership of its type, Aztec joined forces with BAe, the three boroughs and other local bodies and set up a task force to address the issues.

The first results have just emerged in the shape of a report which identifies the short-term consequences of BAe's departure from Kingston and which tries to establish its effect on longer-term economic trends in the area.

The report, which should offer lessons for other companies and communities faced with similar upheavals, makes a detailed impact analysis of the closure and considers future uses for the Richmond Road site.

But Aztec also hopes the document's value will be in providing a strategic framework for a programme of economic development in its area on which public and private sectors can co-operate.

The authors believe that the creation of a more systematic approach to monitoring employment changes and economic activity will help the process of forward planning.

In turn, that should encourage a better targeted approach to business support, training and other local economic development initiatives. For Aztec itself, the real challenge is to ensure that it maintains some momentum.

It intends to keep the task force going, possibly broadening it with the inclusion of the trade unions and the local chamber of commerce. Together with the three councils, Aztec is now considering appointing an officer to trawl for EC funds to help them get on with their job.

Immediate plans involve a further study to identify the prospects for inward investment and measures to help retrain older workers and relocate unemployed executives. There will also be courses for women having to return to work to supplement household incomes.

With the local citizens' advice bureau swamped with requests for help, Aztec expects to have its own help-line operating in April.

But all the good intentions and strategic objectives in the world run up, inevitably, against the expenditure restraints of which Tecs now increasingly complain.

Rutherford admits there is a great deal of frustration over the inability of TECs to fulfil the valuable role for which they were established, adding: "We are looking at a cake which will simply not begin to feed everyone".

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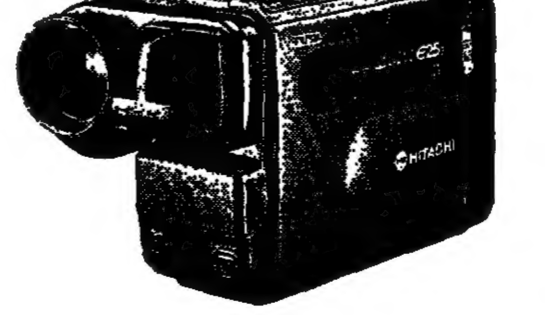

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Rotterdam
14th February, 1992

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14th February, 1992

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Registration number: [illegible]
Trade Classification: 19
Names and Addresses of Joint Administrative Receivers:
I. Jacob, c/o Robson Rhodes, 186 City Road, London EC1V 2NU
N. H. Cooper, c/o Robson Rhodes, 186 City Road, London EC1V 2NU
Date of Appointment: 18th February 1992.
By whom Appointed: The Royal Bank of Scotland plc
Date of Charge: 24th February 1988
Nature of Charge: Fixed and floating
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Trade Classification: 7260
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N. H. Cooper, 186 City Road, London EC1V 2NU
Date of Appointment: 18th February 1992.
By whom Appointed: National Westminster Bank PLC
Date of Charge: 18th April 1984
Nature of Charge: Debenture
H. Braddock, N. H. Cooper
Joint Administrative Receivers

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By whom Appointed: The Royal Bank of Scotland plc
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FT LAW REPORTS

Ship is entered at Bombay

THE ANTCLIZO (NO 2)
Court of Appeal
(Lord Justice Parker, Lord Justice Stocker and Sir John Megaw):
February 18 1992

A CHARTERED vessel which has completed the prior entry procedure at an Indian port and has been granted free pratique, is "entered" at Customs House and can validly give notice of readiness to discharge, though the inwards entry register is not yet complete.

The Court of Appeal so held when dismissing an appeal by the Food Corporation of India, charterers of the Antclizo, from Mr Justice Hirst's decision (*FT, May 17 1991*) upholding an arbitration award in favour of the shipowners, Antclizo Shipping Corporation. A cross appeal by the owners was dismissed.

LORD JUSTICE PARKER said that under the terms of a charterparty Antclizo carried a cargo of wheat from the US to India. Discharge was completed at Bombay on February 10 1974.

Disputes arose between the parties as to despatch, demurrage and balance of freight. Arbitrators were appointed in 1975. Arbitration took place in 1990.

The arbitrator held that notice of readiness given at Bombay was valid; and that there was no cause of action for balance of freight until the date of his award. Mr Justice Hirst upheld his conclusions.

Clause 34 of the charterparty provided that at port of discharge time was to count from 24 hours after notice of readiness, "vessel also having been entered at Customs House and in free pratique".

By section 30(1) of the Indian Customs Act 1962 the master had to deliver an import manifest to the proper officer within 24 hours after arrival at a customs station, or "before the arrival of the vessel".

By section 31(1) he was not to permit unloading until an entry inwards order had been granted by the proper officer. By section 31(2), no entry inwards order would be given until the import manifest had been delivered.

According to the Indian Excise and Customs procedural manual, the procedure at Bombay for entry of vessels and goods had three stages.

The first stage, known as "prior entry" was that prior to arrival the ship's agents would lodge an import general manifest, and an entry inwards application, at Customs House.

The customs clerk would give the vessel a serial rotation number and enter it in the inward entry register. He would exhibit the vessel's name and serial number on the Customs notice board, with the reference P/E, which indicated that prior entry procedure had been completed.

He would provide the agents with a certificate that various formalities had been completed, and that after submission of the store list and crew property list, the preventive officer might grant entry inwards.

The second stage arose when the vessel had reached inner anchorage or was in berth, and was ready to discharge.

If a Customs preventive officer was available he would examine the crew's property and seal the vessel's bonded property store. Unless his suspicions were aroused he would endorse the certificate "inwards entry is granted to this vessel". Discharge might then lawfully begin.

At stage three the certificate was taken to the import department at Customs House. If documents were in order the clerk would fill in the blank columns in the inward entry register. Regulation 15 of the Customs manual provided that at that stage "on receipt of the certificate in the import department the manifest is admitted finally".

If a boarding officer was not available when a vessel was ready to discharge at inner anchorage and Customs had given permission to break bulk in mid-stream, discharging started at once.

On December 29 1973 the owners' agents completed the prior entry procedure and obtained Customs permission to discharge at inner anchorage, ie to break bulk in stream.

On December 30 the vessel anchored at the floating light. She was then an arrived ship. On December 31 she received free pratique by radio, and gave notice of readiness. She anchored at inner anchorage at 2030 hours.

On January 1, the agents lodged the required documents with Customs at 1630 and the register was then completed.

Some time between 2030 on December 31 and 1630 on January 1, Customs granted inwards entry.

The question was whether the vessel was "entered at the Customs House" within the meaning of clause 34 of the charterparty, on completion of prior entry.

Mr Hamilton for the charterers argued that since prior entry did not carry with it an order permitting inwards entry, only final entry would satisfy clause 34.

That argument had obvious difficulties.

First, if notice of readiness could not be given until final entry and that did not take place until after inwards entry had been granted and discharge commenced, it was unlikely that clause 34 was intended to produce the result contended for. To provide for a 24 hours' notice of readiness to be given after discharge had already begun, made no sense at all.

Second, the vessel was physically entered at Customs House when prior entry was completed.

Third, prior entry was important for importers, who would know they could proceed and arrange for discharge.

There was no binding authority to compel the court to reach a different conclusion from that of Mr Justice Hirst and the arbitrator.

Accordingly the vessel was entered at Customs House at the time notice of readiness was given.

The next question was whether the vessel was ready to discharge when notice of readiness was given.

The charterers contended she was not ready to discharge until granted inwards entry.

The arbitrator's case stated that there was no reason why immediately the ship reached inner anchorage and obtained customs approval of documents she should not have been allowed to discharge in stream at once; and there was no reason why she should not have received such approval at once.

In *The Delian Spirit [1972] 1 QB 103*, in which the absence of free pratique did not prevent the vessel being ready to load, Mr Justice Donaldson said a vessel was ready to load "if she is in such a state of physical readiness that there is nothing to prevent her being made ready at once if required".

In the present case as the vessel had already been given permission to discharge at inner anchorage, she could have been required to discharge and there would have been no material delay.

There was a possibility that if a preventive officer became suspicious there would have been a delay; or that some accident would occur which would result in delay.

Those possibilities could not affect the validity of notice of readiness. If they did, no notice of readiness could ever be given.

The case was covered by *The Delian Spirit*. Notice of readiness was therefore valid. The charterers' appeal failed.

The owners cross-appealed against the decision that there was no cause of action for balance of freight until date of award.

Clause 29 of the charterparty provided for 90 per cent freight to be paid within seven days of signing bills of lading and "the balance freight will be paid after completion of discharge and settlement of demurrage/despatch".

The owners said the arbitrator had awarded interest on demurrage less despatch as from December 1 1974, and that the cause of action had accrued by that date.

On the face of the clause the primary obligation to pay did not arise until net demurrage/despatch due had been agreed or determined. The owners accepted they could not succeed except on the *McKay v Dick* principle (*(1881) 6 AppCas 251*).

For the principle to apply it had to be shown that the charterers' "wrong" prevented settlement.

What prevented settlement was the charterers' contention that they were owed despatch. To advance a contention ultimately proved wrong was not a "wrong".

The cross-appeal also was dismissed. Their Lordships agreed.

For the charterers: Adrian Hamilton QC and Geraldine Andrews (Gagrat Gardi & Co)
For the shipowners: Anthony Clarke QC and Charles Haddon-Cave (Herbert Smith)

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Les Contes d'Hoffmann

COVENT GARDEN

For its fourth revival at the Royal Opera in John Schlesinger's 1980 production – now directed by Richard Gregson, and sponsored by British Steel – Offenbach's not-quite-opera has last June's heroines (Sumi Jo, Anne Howells and Leontina Vaduva), a new Hoffmann and a new evil genius. Between them they produce enough sparks to keep the production ticking over, but it isn't easy work.

Jeffrey Tate conducts in faithful style. A finicky critic might wish that the Antonia-trio had a more passionate undertow, and for the whole Olympia act less gentility, more unabashed operetta-attack. Sumi Jo's Olympia rescues that with aplomb: she plays (and sings, impeccably) the mechanical doll with deadpan wit, but not one winsome nudge to remind us that she is really a clever, lovable artist – something which we could hardly miss.

Anne Howells' Venetian courtesan is too artful and knowing for the flaccid campery of the old production (a transvestite or two, pre-adolescent boys in nappies strewing petals), and anyhow not one step of the clumsy action looks believable. She deserves a more upmarket milieu. William Dudley's cluttered set seems to have defeated even David Hersey's efforts to light it evocatively. Tate hustled the Barcarolle, as if fed up with the languid singalong-status it has acquired over the generations, but Nemesis struck when the offstage chorus made a premature entry with its final reprise.

In the last act Dr Miracle's low-budget magicking induces no shudders, and the all-too-solid apparition of Antonia's Mother (Anne-Marie Owens) is a plain mistake. Though the want of sympathy for Romantic spookery here is a real drawback, Miss Vaduva's open-throated Antonia – touchingly vulnerable not only in persona but in pitch – captures the right feyness. Gregory Yurisich's Doctor is as ripely flamboyant as his other villainous incarnations, Councillor Lindorf, Coppelius and Dappertutto; there is an apt touch of the Alexei Sayles in them all, and some international-class singing.

In other roles Gwynne Howell, Francis Egerton and John Dobson do their ever-reliable things without stretching themselves much. For the thankless part of the student Nathanael (Prologue and Epilogue only) the tenor Lynton Atkinson finds an unexpectedly sharp character, and Jean Rigby again offers a robust, subtle Nicklaus/"Muse". As for Hoffmann himself, the American Jerry Hadley is not only hopelessly eager and terrier-like, which suits this besotted anti-hero, but vocally rather elegant in very creditable French.

From April 1 his role will be taken over by Neil Shicoff, and Yurisich's quadruple-act by Samuel Ramey.

David Murray

TELEVISION

A touch of class at your fingertips

Taken as it comes, television seems increasingly like a shoddy street market where profit via popularity is such a dominant consideration that nothing else is of any real significance. Have you happened across any children's television recently? It looks like a penny arcade of repetitively violent American cartoons, interlarded with chat from youthful presenters who slavishly ape the style and language of the rougher playgrounds, presumably to gain "street cred". Much of adult television looks embarrassingly similar, being created, judging from appearances, with just one question in mind: will it be enjoyed by a tired 16-year old full of lager?

The answer, of course, is to do everything in your power not to take television as it comes, and this is increasingly easy. For years the trouble was that when you switched on for a programme you really wanted (or just before switching off, having seen it) you found yourself trapped into watching some other rubbish, and when that ended you were lured into yet more nonsense. Today the video recorder allows you to catch just what you want, and to watch it whenever you like. True, channel controllers seem determined not to work to their advertised schedules, but provided you allow five minutes extra at either end you can normally outwit them and tape the whole of whatever you want.

For a television critic this system often means finding yourself still stuck in front of the set at 3.00 in the morning. However, it also means that, over the last 10 days for instance, even though I have been bored by the banality of so many new comedies, appalled at the cynical way in which the Sky Sports satellite channel has exploited its exclusive coverage of the cricket World Cup (providing only three or four minutes of cricket between commercial breaks) and depressed by ITV's exhumation of *Take Your Pick* – all watched off air in real time – I have also been impressed with the standard of journalism achieved by a wide variety of programmes which I would probably never have seen had I not arranged to tape them.

Monday brought *Coast Of Dreams*, the first of a pair of Channel 4 documentaries about the British colonisation of Spain's *Costa del Sol*. According to custom and practice such a programme should tear the lid off a can of worms to reveal the venality of the host community, the naivety of the expatriates, and the ghastly reality behind the glossy image of a retirement paradise. There were touches of all that, but Malcolm Brinkworth's programme was far more subtle and probed deeper. Without a reporter or even a voice-over he set up a clever comparison between the expectations of Kevin and Pam Smith, new arrivals who were just opening the Swan, and the experiences of Mike and Betti Thompson who have learned the hard way how to serve 186 plates of roast beef and Yorkshire pud at the Bees Knees. If the second programme, reporting from the Spanish viewpoint, is half as revealing it will make a superb pair.

On Tuesdays ITV is currently screening *Murder Squad*, a "fly on the wall" documentary series which provides a stark contrast to all those other accounts of murder on television, where eccentric detectives, obsessed by opera or modern poetry, solve labyrinthine mysteries on stunningly beautiful locations. *Murder Squad* does not show us the "truth" (it shows us that even policewomen have their hair done when they know a television camera crew is arriving) but it gets 170 degrees closer to it than Marple and Morse. These murders are in council flats, hairdressers and night clubs. The detectives are ordinary sounding people, characterised by common sense, routine, weariness and efficiency. The voice-over is intrusively noticeable, doubtless indicating the old mistake of choosing an actor, but Robert Fleming's series gets closer to the mucky and mundane realities of the average murder (judging from experience as a news reporter) than any other series I have seen.

Last Wednesday Channel 4 began *Letters From St Petersburg*, a series of 15-minute programmes made by Kevin Sim, who is staying in the city and sending his material back for sub-titling. Once the most forbidding place to make programmes, Russia now seems to have been transformed into the most accommodating. This opening programme showed us a huge old flat, shared by 15 families, with a whole line of gas stoves in the kitchen, and the inhabitants holding a typically gregarious new year's party. But Sim found resentful would-be shoppers who looked back to the notorious siege of the city as the good old days. Russia's real crisis may be still to come.

Wednesday was also the night that BBC2 screened one of those near perfect programmes which turn up once in a blue moon, *Miss Pym's Day Out* in the "Bookmark" slot. Producer James Runcie had the incomparable Patricia Routledge playing novelist Barbara Pym, and limited his account of her to a single day in 1977 when she visited London for the Booker Prize ceremony as one of the shortlisted authors. She lost, of course, but that was virtually irrelevant. This 50-minute mélange of drama and documentary did not evoke Pym's books by reference, it exemplified her work by embodying her spirit; no mean trick when you are operating in such a dramatically different medium from that of the subject artist.

Last week's episode in the BBC2 series about Spain, *Fire In The Blood*, which is going out on Thursdays, was not the best so far. The trick of running in parallel footage of a football match between Basque and Spanish teams and of the war between Basque separatists and the rest of Spain was effective enough. But this series, produced by Alan Bookbinder, is using an on-screen presenter – Ian Gibson – who does not stop short of indicating his opinion occasionally (invariably politically correct: women good, men bad, and so on). Yet this is not a full blown opinion piece, so we get neither a solid personal view nor a conventional objective report. The sheer strength of the series is proved by the fact that it survives this and still tells us a tremendous amount about Spain.

Friday's *Arena* unfolded the story of David Hampton who, having made a living in New York by passing himself off as Sidney Poitier's son, is now suing for millions over a Broadway play which he asserts "stole" his life story. Producer Debbie Geller piled irony upon irony to create a programme which told a weird yarn well and was also wonderfully funny. When Hampton's victims declined to be interviewed she had actors portray them ... the very thing over which Hampton is suing. Her greatest success was to illustrate vividly the celebrity fixation which grips New York and presumably explains Hampton's success. His lawyer, although a millionaire, is desperate to succeed as a singer and readily sang (flat) for Geller's camera.

Each of these programmes was a powerful piece of journalism, and each used a distinctive technique. On Sunday came *Follow The Money* on BBC2 which used yet another: utterly conventional on-screen presentation by Christopher Hird, interviews with key participants, archive footage, and so on. The material was scarcely new, either: Britain's failure to exploit its inventions such as the jet engine, penicillin and the CAT scanner. However, producer Richard Belfield combined it all to devastating effect; you came away furious and desperate because he made it so clear that we cannot blame just the City, or short-termism, or silly politicians, or unambitious managements, or neglect of R & D, or shareholder greed – we have to blame *all* of them.

With the number, variety and quality of factual programmes on television as impressive as this, it would be absurd to dismiss the medium as having succumbed wholly to street market values. However, the odds against happening across those seven programmes by chance, in the course of casual viewing, must be immense. The only way to be sure of finding what you want, and not being side-tracked, is to look at the schedules beforehand and then programme the video recorder ... oh yes you can, anyone can, it is one tenth as difficult as driving a car and merely needs a little practice.

Christopher Dunkley

One of those rare near perfect programmes that turn up once in a blue moon: Jilly Cooper and Patricia Routledge in Bookmark's 'Miss Pym's Day Out'

Pygmies in the Ruins

ROYAL COURT THEATRE

After the spate of Irish lyricism that we have recently had in London from Dublin, *here is a touch of the harder stuff* from the north. Ron Hutchinson's *Pygmies in the Ruins*, which opened last November at the Lyric Theatre, Belfast and praised on this page by Antony Thorncroft, is billed as a thriller and certainly has elements of suspense; an English audience, however, might be more interested in what it tells us about the current state of Northern Ireland. The piece suggests that such is the cumulative, meaningless violence, a touch of hysteria is setting in.

The central character Washburn, played by Ian McElhinney, is a police photographer who periodically goes mad because he cannot make sense of what he is seeing. Whereas the rest of the Royal Ulster Constabulary is either getting out or looking forward to going on holiday in Florida, Washburn is obsessed by seeking a pattern in the killings.

Yet there is a twist. This is not a conventional play about modern Ulster. Instead Hutchinson looks back to the Ireland of 1871 when the industrial revolution was at its height and Belfast was a thriving, thrusting city, far outstripping Dublin, which that particular revolution never touched. Belfast indeed had some claim to be the second city in the empire in terms of prosperity.

There were unexplained killings then, just as there are unexplained killings now. Hutchinson juxtaposes the two periods and asks the question, through Washburn, who are the people of the north? Is the damage inflicted on them from the outside, or do they do it to themselves?

It is not Hutchinson's fault that he fails to provide the answer. If there is one, it has eluded everyone else. But it must be clear by now that – Jugoslavia apart – Northern Ireland is a pretty peculiar place by the standards of contemporary Europe. That is what the play is about.

The pygmies are the people of modern Belfast scrabbling about in the ruins of a once great entrepreneurial city. It may have been built partly on corruption, but at least it had a sense of purpose. "A thriving, prosperous Belfast, northern sister to ancient Dublin," says one of the 19th century characters, "is the best hope for an Ireland that will gather in her exiled sons and daughters ... Dublin faces England and the past – Belfast faces the world and the coming century."

Of the several things that I admire about a far-from-perfect play, one is the absence of any overt propaganda. This is a distinctive Irish voice saying something different. There are also no stereotypes, whether gunmen, priests, poets, revolutionaries or tinkers. Hutchinson suggests that Belfast is about money; he does not rub it in too much that money is part of the protestant ethic. Religion tends to be directly confined to recurrent, rather dismal singing of "Hills of the North, Rejoice." "The hills round Belfast," someone says, "would have made a good place for a crucifixion."

The chief fault is that the piece is too long and does not know where to end. It could finish with Washburn killing himself, as he is invited to do, or, succumbing to hysteria, turning his gun on any or everyone else. That is part of the suspense.

In the event, Hutchinson settles for a lyrical ballad spoken by Washburn and his girlfriend Nuala, played by the aptly named Fiona Victory. It tells the tale of a man on the Shankill Road who tried to slit his wife's throat, then hanged himself because he could not bear the blood. The woman survived and the man died: "For the razor-blade was Dublin-made, But the rope was Belfast linen." In that, as in much of the rest of the play, there is a touch of Louis MacNeice.

The production, in association with the Lyric Players Theatre, Belfast, is directed by Eoin O'Callaghan. I found it pretty well faultless.

Malcolm Rutherford

'Niágara' and 'Summer Lightning'

GLASGOW CITIZENS THEATRE

With the enlargement of its Citizens Theatre from a single theatre into a complex of three, Glasgow now has an abundance of year-round theatre that probably no other British city save London can match. The three consecutive evenings that I spent at the end of last week in its three auditoria were all absorbing, rich ones. Standards of acting, direction, design were high. Each play, interestingly chosen, proved rewarding. And the trio add up as a demonstration of both the great range and accomplishment of the Citz.

I reported on Monday on the new second theatre and its production of Craig Raine's *1953*. The new third theatre, an unclaustrophobic black box, seats the audience (max. 70) on three sides of the action: which concerns Blondin, the celebrated 19th-century tightrope-walker, and Carlo, the young man he once carried on his back on his 15th crossing of Niagara Falls. The play, *Niágara* (first performed in 1969 in Peru as *El cruce sobre el Niágara*), is by Alonso Alegria (1940-). Carlo first enters Blondin's life as a know-all young whippersnapper. He has seen Blondin's every crossing of the Falls; knows which new show-off tricks actually make the crossing easier; is wise to tricks that no other spectator notices; knows, as a bystander, more about the science of tightrope-walking than Blondin does as a practitioner.

What burgeons is akin to love. Critic Carlo cannot conceal, though he forgets to express, his intense admiration for artist Blondin's heroic achievements; artist Blondin can only feel grateful for the unparalleled understanding his every act receives from critic Carlo. More than that, Carlo is in love with Blondin's potential. He even touches on Blondin's innermost fantasy; he wants him to train himself to walk on air.

When Blondin refuses to try for the impossible ideal of air-walking, it is his idea to carry Carlo across the falls on his shoulders. But can Blondin take such a responsibility on himself? Can Carlo? And yet what they are aiming at is not peril but a state of happiness. In the play's long final scene, they make the crossing (in white acrobats' tights, Blondin standing almost motionless on a strip of ultraviolet light, Carlo perched on his shoulders); and much of what they say is intensely like love-making talk – calling each other's names first urgently as they near the point of greatest danger, then ecstatically as they pass it, and then finally, in a wave of relief as they near safety and Canada, praising each other effusively.

But this is not a gay play. Our attention may be drawn to the resemblance of this climactic scene to Tristanic passion, but the two characters are oblivious to it. And the most stimulating and multi-faceted scenes have already occurred. Alegria does not try to make us either character loveable or normal; and this is one of his finest feats. The two performances, discreetly judged, give the play all the right tension. Daniel Illsey, though at first a little studied, gives Carlo the right fervent obsessiveness. Robert David MacDonald, who has translated and directed, also plays Blondin: a nice blend of the practical man and the visionary.

*

Meanwhile across the foyer the first theatre – with that handsome gold-and-black three-tier auditorium that has served the Citz well for years – is presenting *Summer Lightning*, the classic P.G.Wodehouse novel adapted and directed by Giles Havergal. The purist could complain that this is not really a play, that it retains Wodehouse's brilliant narrative descriptions ("it was that gracious hour of a summer afternoon ... when Nature seemed to unbutton its waistcoat and put its feet up") and that most of the delight it gives its viewers is the same delight they would derive from reading the novel. He could even cavil that the Efficient Baxter has been eliminated and the plot correspondingly reduced..

Hard of heart, however, would be he who did not often guffaw here. The device of having characters not only speak their lines in character but also provide Wodehouse's narrative comments works comic wonders. Siobhan Stanley does it with especially hilarious dryness. "Ah!" she sighs as Millicent Threepwood, then addresses the audience: "Millicent looked like something that might have occurred to Ibsen in one of his less frivolous moments."

Another effective device is having actors play several roles, sometimes changing costume in full view of the audience. Stephen MacDonald, who excels at this, on one occasion switches from the grave butler Beach into the quavering Lord Emsworth in mid-phrase, while being helped out of his frock-coat and into a tweed jacket.

It is hard to describe the breathtaking prettiness of Helen Blaxendale as the chorus-girl Sue Brown. She has, as Nicholas Nickleby once told Newman Noggs, lips and eyes and hair. (Also cheeks, bones, arms ...) And she has just the amount of energetic freshness which makes you want such chorus-girls to marry into blue blood and do it some good.

Alastair Macaulay

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Ken-ichiro Kobayashi conducts the Netherlands Philharmonic Orchestra in Weber's Oberon overture, Grieg's Piano Concerto (soloist Leif Ove Andsnes) and Stravinsky's Petrushka (1947), repeated tomorrow, Fri and Sat. Sat afternoon: Frans Brüggen conducts CPE Bach, Mozart and Schubert (6718 345)

BERLIN

Friedenauer Kammerkonzerte 20.00 Harpsichord recital by Gustav Leonhardt, also tomorrow (Schöneberg, Isoldestrasse 9, 8591 925)

Schauspielhaus 20.00 Daniel Barenboim conducts the Berlin Philharmonic Orchestra in music by Beethoven and Liszt. Tomorrow and Fri: Hiroshi Wakasugi conducts Brahms and Schubert (East Berlin 2090 2156)

Deutsche Oper 18.00 Jiri Kout conducts Götz Friedrich's production of Die Walküre. Tomorrow: La Sylphide (West Berlin 3410 249)

Staatsoper unter den Linden 19.30 Siegfried Kurz conducts Die Entführung aus dem Serail. Tomorrow: Zar und Zimmermann (East Berlin 2004 762)

Komische Oper 19.00 Henze's ballet Undine, choreographed by Arila Siegert. Tomorrow: La bohème (East Berlin 2292 555)

BRUSSELS

Palais des Beaux Arts 20.00 Piano recital by Lazar Berman. Fri: Pierre Bartholomée conducts the Liège Philharmonic Orchestra in Stravinsky's Petrushka (1947) and Beethoven's Violin Concerto, with Pierre Alain Volondat (507 8200)

BUDAPEST

CONCERTS

Tomorrow at the Academy of Music, Andras Ligeti conducts the Budapest Symphony Orchestra in music by Dukas and Ravel, with Csaba Onczay and Geza Nemeth soloists in Richard Strauss' Don Quixote. Fri: Leopold Hager conducts the Hungarian State Symphony Orchestra, with Denes Varjon piano soloist.

OPERA

The State Opera repertory includes Der fliegende Holländer tonight and Manon Lescaut tomorrow. The Erkel Theatre has Kodaly's Hary Janos on Fri and a Hungarian-language performance of Il trovatore on Sat.

● Pre-booking for concerts at the National Philharmonic Booking Office (Vorosmarty ter 1) and for opera at the Central Theatre Booking Office (Andrassy ut 18), also at theatre box offices.

CHICAGO

Orchestra Hall 19.30 Zubin Mehta conducts the Chicago Symphony Orchestra and Chorus in Mahler's Third Symphony (soloist Florence Quivar), repeated tomorrow and Sat evenings, also Fri afternoon. Sun afternoon: piano recital by Andrea Lucchesini. Sun evening: James DePriest conducts the Civic Orchestra of Chicago (435 6666)

FLORENCE

At the Teatro Communale, Bruno Bartoletti conducts Andrea Chenier tomorrow evening, Sun afternoon and next Tues evening, with a cast including Kristian Johansson, Renato Bruson and Giovanna Casolla (277 9236)

LONDON

Covent Garden 19.30 First performance this season of Kenneth MacMillan's Manon, with Viviana Durante and Irek Mukhamedov, also Sat. Tomorrow: Don Giovanni (071-240 1066)

Barbican 19.45 Pierre Boulez conducts the BBC Symphony Orchestra and Singers in music by Birtwistle, Berio, Boulez and Stockhausen. Tomorrow: Michael Tilson Thomas conducts the LSO (071-638 8891)

Royal Festival Hall 19.30 Charles Dutoit conducts the Philharmonia in Ibert's Escales, Poulenc's Piano Concerto (soloist Pascal Rogé) and Berlioz's Symphonie fantastique. Tomorrow: Steve Reich (071-928 8800)

NEW YORK

THEATRE

● A Life in the Theater: F Murray Abraham and Anthony Fusco in a revival of David Mamet's backstage comedy about actors, directed by Kenneth Dowling. No performance on Fri (Jewish repertory Theater, 344 East 14th St, 505 2667).

● And: that's the title of Roger Rosenblatt's new play starring Ron Silver and directed by Wynn Handman, about a journalist at mid-year crisis. Wed to Sat at 20.00, also Sat at 14.00 and Sun at 15.00 (American Place Theater, 111 West 46th St, 840 3074).

● The Other Side of Paradise: Keir Dullea returns to the New York stage as the novelist F Scott Fitzgerald, in a one-man play by John Kane, directed by Suzie Fuller (Kaufman Theater, 534 West 42nd St, 439 8012).

● A Little Hotel on the Side: Tony Randall, Lynn Redgrave, Rob Lowe, Maryann Plunkett and Paxton Whitehead star in this amiable Feydeau farce, translated by John Mortimer and directed by Tom Moore. Final week, closes Sun (Belasco Theater, 111 West 44th St, 239 6200).

● Dancing at Lughnasa: the Abbey Theatre Dublin cast in their final week before an American cast takes over in Brian Friel's 1991 award-winning play (Plymouth Theater, 236 West 45th St, 239 6200).

● Ticketron answers inquiries and sells tickets for most shows on and off Broadway (246 0102)

JAZZ/CABARET

Blue Note

This week: veteran jazz pianist George Shearing is joined by drummer Grady Tate and bassist Neil Swainson, plus solo guitarist Joe Pass. Music from 21.00. Dining. Next week: Elvin Jones Jazz Machine plus Steve Turre Sextet (131 West 3rd St, 475 8592).

Algonquin Hotel

Welsh-born chanteuse Iris Williams follows her successful New York cabaret debut last year with a second run featuring music by Gershwin, Rodgers and Hart, Edith Piaf and others. Shows at 21.30 on Tues, Wed and Thurs, 21.30 and 23.30 on Fri and Sat. Dining (59 West 44th St, 840 6800).

Rainbow & Stars

Rosemary Clooney, singing Gershwin, Cole Porter, Rodgers, Hart and Hammerstein, has a warm, husky but clear voice, a world-weary cheerfulness and a disarming sense of humour. Shows from 21.00. Dining (30 Rockefeller Plaza, 632 5000).

PARIS

Salle Pleyel 20.30 Georg Solti conducts the Orchestre de Paris and Chorus in Haydn's The Seasons, with Ruth Ziesak, Keith Lewis and René Pape. Repeated tomorrow and Sat (4563 0796)

Théâtre des Champs-Elysées 19.30 Claudio Abbado conducts Luca Ronconi's production of Il viaggio a Reims, with an all-star cast including Ruggero Raimondi, Cheryl Studer and Lella Cuberli. Repeated on Fri and Sun (4720 3637)

Opéra Bastille 19.30 Myung-Whun Chung conducts the last performance of André Engel's production of Lady Macbeth of Mtsensk, with Kristine Ciesinski in the title role (4001 1616)

Centre Pompidou 20.30 David Robertson conducts the Ensemble InterContemporain in music by Michael Obst, Edison Denisov and Elliott Carter (4260 9427)

PRAGUE

CONCERTS

This week's events at the Smetana Hall include a Prague Symphony Orchestra concert tonight at 19.30, with a programme including Haydn's Symphony No 82 and Mendelssohn's Italian Symphony (U Prasne brany 2, 232 5858). Jiri Belohlavek conducts the Czech Philharmonic Orchestra tomorrow and Fri in symphonies by Stravinsky and Mozart, with Olli Mustonen soloist in Beethoven's Fifth Piano Concerto (231 9164).

OPERA

Tonight's performance at 19.00 in the Smetana Theatre is Madama Butterfly, with Il trovatore on Sat. The National Theatre repertory includes La bohème on Fri and The Bartered Bride on Sat.

● For pre-booking and information about other events, contact city centre ticket agencies (Bohemia, Na Prikope 16, 228738, or Melantrich, Wenceslas Square 38, 228714) and theatre box offices.

ZURICH

Opernhaus 19.30 Zoltan Pesko conducts Marco Arturo Marelli's production of Ligeti's Le Grand Macabre. Tomorrow: two ballets by Bernd Roger Bienert. Fri and Sun: Nikolaus Harnoncourt conducts the Ponnelle production of Entführung. Sat: Eugen Onegin (262 0909)

Tonhalle 19.30 Gary Bertini conducts the Tonhalle Orchestra in Richard Strauss' Wind Serenade in E major, Goldmark's Violin Concerto (soloist Christian Altenburger) and Beethoven's Third Symphony. The programme is repeated on Fri, with K A Hartmann's Concerto funèbre instead of the Goldmark (201 1580). Sat: Ulf Hoelscher plays the Beethoven Violin Concerto with the South West German Philharmonic (251 1600)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN

2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel

0630-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV

0830-0900 (Tues) Spiegel TV – Intl Report – the real world of documentary

2130-2200 (Tues) Media Europe – what's new in European media business

2130-2200 (Wed) FT Business Weekly – global business report with James Bellini

0830-0900 (Thurs) Media Europe

2130-2200 (Thurs) FT Eastern Europe Report

0830-0900 (Fri) FT Business Weekly

2130-22.00 (Fri) Spiegel TV – Intl Report

Sky News

0130-0200 (Mon), 2130-2200 (Thurs), 0630-0600 (Fri) FT Business Weekly

SATURDAY

CNN

0900-0930 World Business This Week – a joint FT/CNN production

1900-1930 World Business This Week

Super Channel

1930-2000 FT Eastern Europe Report

SUNDAY

CNN

1030-1100, 1800-1830 World Business This Week

Super Channel

1800-1830 FT Business Weekly

Sky News

1330-1400, 2030-2100 FT Business Weekly

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Anglo-Irish shutters

MR ALBERT REYNOLDS, the new Irish prime minister, said in his first international interview that he would like to be remembered as "the man who opened up the shutters and let in the light". He has had a tempestuous start. News of the Irish courts' refusal to allow an abortion for a 14-year-old girl who had been raped reached the world faster than that of his own inauguration or the latest atrocities in the north.

The case cannot be blamed on the new administration in Dublin. It is a reminder, however, that if Ireland wants to live in the modern world – and, in particular, the European Community – the international spotlight will sometimes burn the skin.

In a development little noticed outside the Republic, the Irish government negotiated a protocol to the Maastricht Treaty allowing it to maintain its own anti-abortion laws, without being over-ruled by the European Court. Since, in Ireland, Maastricht has to be ratified by referendum, all sorts of troubles could be in store, including a referendum on Europe that becomes a referendum on abortion.

That kind of problem over "subsidiarity" in EC decision-making is familiar enough to the UK government, to which Mr Reynolds pays his first official visit as prime minister today. Dealing with Europe is not the only problem they have in common; there is also the question of Northern Ireland. Given the imminence of a general election, little new can be expected from the British.

Constitutional change

Mr Reynolds has already stated his readiness to put articles two and three of the Irish constitution, which claim the right to legislate for the whole island of Ireland, on the negotiating table. That is not a huge advance on previous Irish statements, but he has at least suggested it at the beginning of his period of office and should be encouraged to build on it. In return the British government should repeat that while it is opposed to the unification of Ireland against the wishes of the majority of the people in the north, it is not opposed to unity in principle. Such was the position laid down in the Anglo-Irish Agreement of 1985, which made the frequency and relative amiability of Anglo-Irish meetings possible.

The 1985 agreement is a flexible document. It can be amended and adapted as the parties to it wish. Without it, it is doubtful whether relations between two fellow members of the European Community would be as harmonious as they are. But it has not proved so far a basis for solving the Ulster question. Partly that is because some Unionists still challenge it; partly it is because it has not stemmed the violence, recently at its worst for many years. Successive political initiatives, like Mr Peter Brooke's, have been tried and petered out.

Favourable straws

There are one or two mildly favourable straws in the wind. Part of the Workers' party in the Republic is renouncing revolutionary links. Mr Gerry Adams, the president of Sinn Fein, talked at the weekend of a political rather than a military strategy. In the north there is a new movement, Initiative 92, seeking solutions across the sectarian divide. None of these moves represents a revolution, or even a genuinely new stride forward. But they indicate, yet again, that determination in London and Dublin will not necessarily go unrewarded.

On the eve of a close-run election campaign, the most helpful development in London would be for the main political parties to state that they will not buy votes from Ulster MPs in the event of a hung parliament. A fully bipartisan approach from Labour and the Conservatives remains, sadly, a distant prospect, but they could at least protect Ulster from the potential horrors of Westminster power brokering by the unionists.

It is also time for British politicians to acknowledge that Northern Ireland is too important to be hived off to a secretary of state. At a time of acute pressure for constitutional change in Scotland, the debate about modes of devolution is under way in earnest. Ulster has been allowed to get away too long with claiming that its problems are uniquely intractable.

Eco-imperialism

HOW WOULD the readers of this newspaper like to have an elephant in their garden? What would they feel if they had to live off what that garden produces? To pose the questions is to answer them. Why then should western "elefriends" expect Africans to tolerate destructive animals that compete for valuable resources?

The answer is to make elephants economically valuable. Some argue that the best way is to permit trade in ivory, the issue that will dominate the 12-day triennial conference of the Convention on International Trade in Endangered Species (Cites), which will start next Monday in Kyoto.

A total ban has been in place since 1989, following a decade in which Africa's elephant population slumped from 1.2m to 600,000. The ban seems to have been successful so far in lowering demand and so reducing poaching. Zimbabwe, along with South Africa, Botswana, Namibia and Malawi, even claims that culling is needed. These countries want a resumption in trade in ivory and other elephant products, to generate funds for protection and preservation.

Arrayed against Zimbabwe are the world's conservationists, who fear an end to the ban will halt the recovery in elephant numbers. Under their pressure, many governments have decided to support the ban's prolongation.

The practical argument for the ban is that, without it, there would be confusion in the market, allowing smugglers greater room for their activities. The practical argument against it is that it does not make elephants worth preserving, but only makes them less worth killing. Moreover, unless final demand has been lowered for good, trade will move underground.

The case for the ban is not overwhelming. It is, in any case, no more than a small part of the solution. Elephants need to be made worth preserving. One way, which would not create the risks attendant upon an open trade in ivory, is to permit trade in other elephant products. Another is tourism.

Yet another is for the rich to pay Africans directly to preserve endangered animals. Environmentalists argue as if the preservation of loveable pachyderms is the only moral issue. It is not. Equally important is whether well-fed westerners should compel poorer people to adopt their values. Compensation would be better. The amount they are prepared to pay would be a good indication of how much they care about elephants.

Imperialism is no better for being green. If the rich want to preserve elephants, they should put their money where their hearts are.

Perilous niches

THE HUMBLING of Rolls-Royce, the luxury motor-car maker, should be a salutary warning to British manufacturers who wish to nestle in cosy, upmarket niches. After selling through thick and thin to very rich consumers, largely sheltered from recessions, the Rolls-Royce has become a cyclical product. The lesson for Rolls-Royce, part of the Vickers engineering group, is that even if a product is steeped in history, its manufacturing needs to be grounded in today.

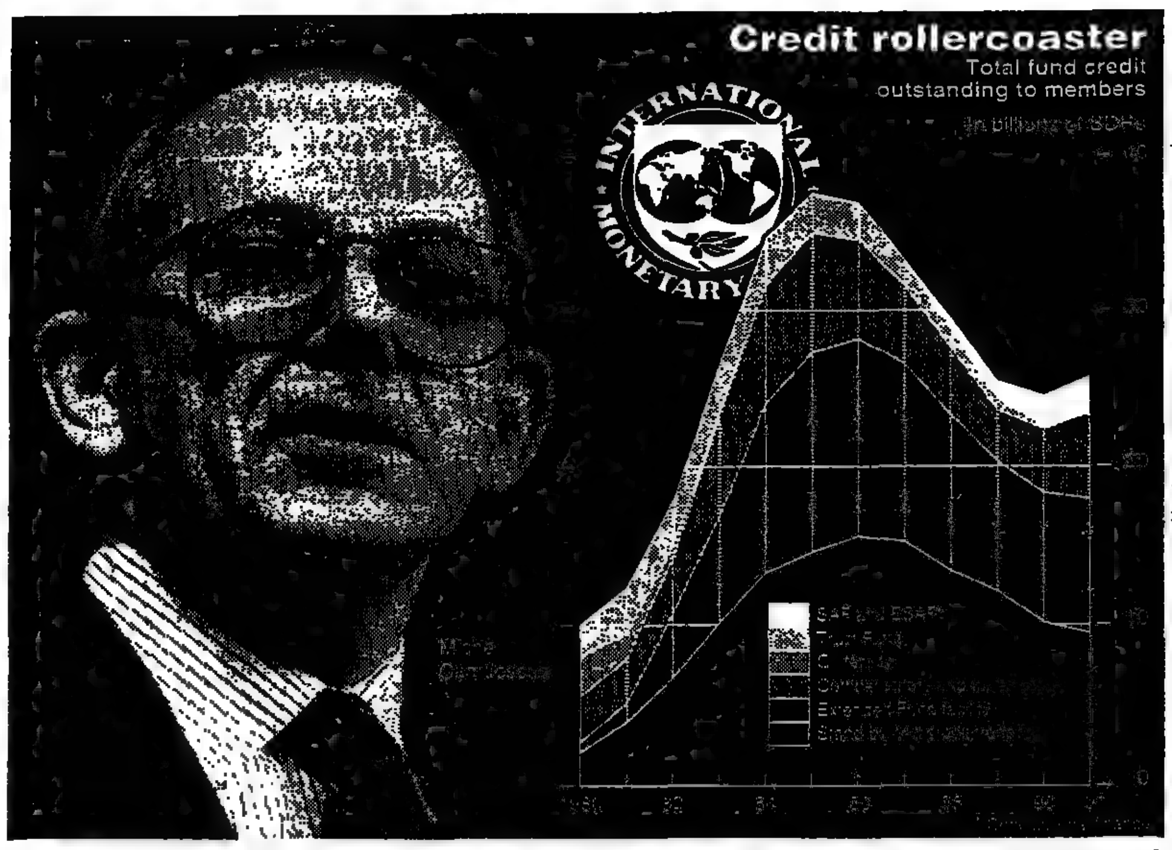
With Mercedes-Benz pouring huge resources into the development of increasingly sophisticated cars, in the face of a mounting challenge from Japanese producers, the luxury car market is becoming increasingly competitive. Rolls-Royce is implementing changes to working practices, but too late. Vickers is also looking for an international partner to help launch a new model range.

This is the path trodden by other UK luxury carmakers, such as Aston Martin and Jaguar, now owned by Ford, and Lotus, owned by General Motors. Rolls-Royce may survive without a partner, but as a maker of instant antiques, rather like the Morgan sports car company. It will become part of the heritage industry.

If manufacturers occupy small, upmarket niches, the technological ground is likely to slip from beneath their feet. Hotels and restaurants, shops and theme parks may trade on heritage and a reputation for old-fashioned service. But manufacturers need more than the smell of leather and a glint of buried walnut to retain a reputation for luxury. They need to master modern manufacturing technologies as well.

As former communist countries look to the IMF to aid their transition to the market, **Michael Prowse** examines the role of the fund

Capitalist tool in need of sharpening



THE International Monetary Fund has rarely been in greater demand. It is on the verge of completing membership negotiations with Russia and other former Soviet republics. Already heavily committed in eastern Europe, it has emerged as the west's principal instrument for assisting the transition to capitalism in formerly centrally planned economies.

Most policymakers seem to take the IMF's central role in guiding economic reform in the former communist countries – as well as in scores of developing countries – largely for granted. Yet it marks a startling transition for an institution that was established for a quite different purpose. The IMF was created at the Bretton Woods conference in 1944 to run an international monetary system based on fixed exchange rates and limited capital mobility.

The Bretton Woods system disintegrated in the early 1970s creating an identity crisis for the IMF. At the time, many experts feared that its influence as a global financial institution would gradually wane. Instead, the IMF cast about for new roles. It helped recycle oil surpluses in the 1970s and involved itself increasingly with economic reform in developing countries. In the early 1980s, it was back on centre stage, managing the Third World debt crisis.

During the 1980s, the IMF was often criticised for excessively austere policies, especially in heavily indebted Latin American countries. Much of the criticism has melted away. Indeed, most observers today appear to have an exaggerated faith in its ability to work economic miracles.

The changing perception of the IMF reflects a shift in world opinion: the policies of economic liberalism and fiscal responsibility that it has always championed are now uncontroversial. Indeed, some recent clients have wanted to "out-IMF the IMF". In Czechoslovakia, Mr Vaclav Klaus, the finance minister, is a more committed disciple of market forces than many IMF officials. In Latin America, even as recalcitrant a pupil as Argentina is now proposing a programme of economic reforms that makes the Bush administration look *dirigiste*.

But observers argue that the IMF has also shifted ground to meet criticisms. It talks more about growth and less about balance of payments "stabilisation". It seems more aware of the impact of its policies on poverty, income distribution and the environment.

Mr Moeen Qureshi, until recently head of operations at the World Bank, says Mr Michel Camdessus, the IMF's managing director since 1987, deserves much of the credit for the changes. Mr Camdessus has "anticipated challenges and shown a greater capacity for leadership" than any of his recent predecessors, he says. Under Mr Camdessus's leadership, the IMF has:

- Lengthened the duration of economic adjustment programmes and begun to put more weight on structural reforms;
- Recognised the need for special concessional treatment – in effect aid – for the poorest countries, especially in Africa;
- Taken a more lenient view of countries in arrears, in some cases allowing the effective rescheduling of fund loans;
- Spoken up on sensitive political issues such as excessive military spending in developing countries.

Mr Qureshi stresses that Mr Camdessus received little support from western finance ministers when fighting for such changes and often had to overcome opposition from a conservative old guard within the IMF. He is a "one-man band to such an extent that the rest of the staff are often not on the same wavelength".

Mr Camdessus's reforms, which built on changes already under way in the early 1980s, have helped create a more positive image for the IMF.

But do its economic remedies actually work? Mr Jacques Polak, a former senior IMF official who retains close links with the institution, recently reviewed academic assessments of IMF performance. He found the evidence was "not as conclusive as one would like".

IMF programmes have tended to improve the balance of payments – which is hardly surprising given that this is their central aim. But the impact on inflation and living standards is, at best, uncertain. His review provides little evidence of a strong positive correlation between IMF programmes and growth.

Glancing at the IMF's latest annual report points to a similar conclusion. At the back you will see long lists of developing countries that have had numerous IMF programmes (the champion is Haiti with 21), yet which still remain deeply troubled economically. For every Mexico, you can find a dozen poor performers.

The early results in eastern Europe are equally disappointing. "The underlying reality," says a World Bank official, "is extremely gloomy." Output is down sharply everywhere and there are few signs yet that private enterprise can fill the gap left by collapsed state enterprises. Poland is already backing away from the austere policies initially agreed with the IMF. Czechoslovakia is growing restive. Mr Richard Erb, the IMF's deputy managing director, concedes that declines in output have been "a lot bigger than we expected" but argues that nobody has put forward convincing alternative policies.

The disappointing results do not imply that IMF policies are necessarily misguided. Mr Polak suggests that it reflects the failure of countries to pursue the policies consistently. But the fact that the IMF finds itself in a long-term relationship of dubious value with many clients indicates something is wrong. After decades of effort, suggests one former IMF official, "a certain cynicism has set in". He says many officials are not "success-oriented": they negotiate tough programmes that fail to heed political realities and then "wait for them to break down".

Part of the problem lies in the mismatch between the IMF's responsibilities and its original charter. It was meant to provide short-term bridging finance for countries experiencing temporary balance of payments problems. This led naturally to a focus on policies – such as devaluation and fiscal and monetary retrenchment – that would quickly bring demand into line with an economy's short-run capacity to produce. The more difficult development challenge of creating the conditions for sustainable growth formed no part of its remit.

Part of the problem lies in the mismatch between the IMF's responsibilities and its original charter

The IMF seems likely to get bogged down in eastern Europe and the former Soviet republics for many years: the evidence from Latin America and Africa is that it is rarely possible quickly to stabilise an under-developed economy and then withdraw. Mr Camdessus seems to relish the prospect of turning the IMF into a long-term development agency. But some question whether this is the right goal for an institution whose primary expertise lies in short-run macroeconomic management.

The irony is that, while the IMF's case load has soared, putting enormous pressure on its hard-working staff, the rationale for some of its functions – and those of the World Bank – may be diminishing. A few blocks east of the IMF's grand building on 19th Street in Washington, a small group called Sachs and Associates has opened its doors. The non-profit consultancy, which is headed by Professor Jeffrey Sachs of Harvard University, provides economic advice to Russia and eastern European governments.

In April, another innovative group, the Emerging Markets Corporation (EMC), will open in Washington. The founders include Mr Qureshi and Mr Donald Roth, formerly the World Bank's senior financial officer. EMC regards itself as an entrepreneurial version of the International Finance Corporation, the World Bank's arm for promoting private sector development. EMC hopes to add value by locating profitable opportunities for direct and portfolio investment in developing countries and the formerly centrally planned economies.

Public sector agencies will always have a crucial role in crises such as mediating between creditors and bankrupt borrowers and in helping the poorest countries. But flexible groups such as Sachs and Associates and EMC, rather than the Bretton Woods dinosaurs, could represent the future in development advice and finance.

What do developing countries need? The answer, first, is a genuine commitment to reform: signing up for an IMF or Bank programme is not necessarily evidence of good faith. The other requirements are sound advice and money. There is little reason to suppose that Mr John Odling-Smee, the head of the IMF's department for former Soviet republics, can offer better economic advice than the equally knowledgeable Prof Sachs.

Going one step further, on the IMF's own market principles, it seems improbable that its 1,200 economists, corralled into bureaucratic departments, are realising their full potential. Might it make more sense to split them into autonomous competing groups like the 15-strong Sachs and Associates? If such groups charged fees, they could be sure their advice was really welcome. Advisers whose policies worked would gradually gain business at the expense of the less successful.

As for finance, the US Congress is baulking at providing an extra $12bn for the IMF's long-promised quota increase. In the medium term, most resources for investment in former planned economies and the Third World will be supplied by private capital markets that are larger and more liquid than envisaged by the IMF's founders. The bulk will probably be direct and portfolio investment flows. Companies such as EMC could thus become key conduits for development finance.

At present, the IMF plays a catalytic role. Mr Odling-Smee and Prof Sachs may endorse identical programmes of reforms but Mr Odling-Smee's signature is far more valuable, because many lenders and investors lack the confidence to commit resources without the IMF imprimatur. This suggests a need for a rating agency of some kind: if Sachs and Associates could win a AAA rating for a proposed reform programme from an impartial agency, it, too, might be able to unlock a flood of private sector capital. The advantage of lots of small independent advisers in place of the hierarchical IMF would be greater innovation in the design of reform programmes.

For now, the IMF must take a lead role in Russia and elsewhere. But if independent advisers were to flourish it could focus more closely on the task Keynes and others originally conceived for it: the running of a world monetary system. "My big criticism of the IMF," says Mr John Williamson, an economist at the Institute for International Finance, a Washington think-tank, "is its lack of work on economic policy co-ordination."

The proper surveillance of macroeconomic policies in the industrialised world ought to be next big item on Mr Camdessus's agenda, says Mr Qureshi. He argues that Japan's big current account surplus and its alleged import barriers form a classic example of the kind of problem the IMF ought to tackle. Referring to President George Bush's ill-received recent visit to Tokyo, he argues that the disinterested Mr Camdessus, rather than a political leader, should have raised questions about unfair trade practices. "This would represent a genuine extension of a new world economic order."

The IMF can play the role for which it was designed only if the leading industrial countries cede it more power to monitor and co-ordinate exchange rate and other macroeconomic policies. At present, they are denying it this crucial responsibility while pushing it ever further into development tasks for which it is still not fully prepared, despite Mr Camdessus's innovations.

OBSERVER

Filling the Italian job

■ The selection of a new head of Confindustria, the Italian industrialists' confederation, has become further confused following the formal withdrawal of the candidature of Fiat boss Cesare Romiti.

The 68-year-old Romiti emerged as the unquestionable choice among Confindustria members to succeed Sergio Pininfarina, who has held this key job as chief spokesman for the private sector of Italian industry since 1988. But his candidature became a question of conflicting loyalties.

Confindustria needs a prominent industrialist who can deal from a position of authority both with the government and with the unions. However, Romiti has also proved himself invaluable to Fiat's ruling Agnelli family.

A tough, even authoritarian, manager, he helped steer the group through a bitter period of industrial strife in the 1970s. Although he has gathered around him a team of executives in their late 40s, his departure would have posed a big problem for the Fiat management at a time when the group, especially the automotive sector, is being squeezed by recession and increased international competition.

Indeed, the refusal of Gianni Agnelli, the Fiat boss and one of the three "wise men" selecting the next head of Confindustria, to release him underlines how much the group has come to depend upon him. This is all the more so when Gianni Agnelli, 70, is preparing for the succession of his younger brother, the 57-year-old Umberto.

Magnum force

■ Unilever's results may have failed to set the City alight yesterday. But nothing was going to deter outgoing chairman Sir Michael Angus from celebrating his last annual press conference in inimitable knockabout style.

First, there was the teasing build-up to a showing of a "banned" video. It turned out to be the commercial for "I Can't Believe It's Not Butter!". The vegetable-fat spread's promotion – depicting a truly sickly yuppie couple getting back together over a cake – was banned from British television because it fell foul of EC advertising regulations. On reflection, Angus admitted, viewers had some reason to be glad that the Independent Television Commission had kept it off their screens.

Then followed a story about his "stimulating" staircase encounter with a Swedish model who features in another Unilever campaign. Finally, Angus regaled everyone with a collection of his favourite limericks before repairing to the hospitality suite to do battle with a large and sticky "Magnum" ice cream. It will be interesting to see if he keeps up this sort of behaviour when he takes over as president of the CBI.

Screen test

■ Harry Turner has been having a tough time lately and yesterday's events did nothing to lighten his mood. The Law Lords took only ten minutes to turn down TSW's judicial review of the loss of its franchise to Westcountry Television. Turner, TSW's flamboyant managing director, is writing a book on the ITV franchise fiasco right up to the denouement in the House of Lords.

The unfortunate fellow will also have to confess that he not only lost a franchise by bidding too high, he was also taken in along the way by the notorious conman Joe Flynn. Using a variety of false names, Flynn has been extracting "expenses" from national newspapers, governments and intelligence agencies for years.

"He's a Lloyd's Name but he's taken to pretending he's an estate agent"

His recent targets have included investigative journalists Seymour Hersh and Matthew Evans, chairman of Faber & Faber, over the Robert Maxwell and the Vanunu affairs, respectively.

In the middle of the ITV franchise process Flynn suggested that senior members of the TSW staff were in cahoots with the opposition and came up with corroborative evidence in the form of home telephone numbers.

In all, Joe Flynn cost TSW £4,000 – a drop in the ocean compared with the lawyers' bills.

Lloyd's crusader

■ No one would have guessed a year ago that Michael Freeman, the solicitor leading the legal battle against the Lloyd's establishment, would have been catapulted into the headlines. His eponymous firm is better known for its commercial law expertise than for its insurance know-how.

However, just over a year ago he was approached by members of the Oakeley Vaughan syndicate who had become frustrated at the way their case against the Corporation of Lloyd's was being handled. Not the sort of names to let their affairs go by default, they decided to abandon the respected City firm of Elborne Mitchell and head up west to find a tough, commercial lawyer. One of their number, Sir William Pigott-Brown, had recommended Freeman.

The appointment achieved the desired effect. Pleadings were amended, evidence redrafted and general consternation created. Perhaps it was natural that, having no connection with the City, Freeman should develop a pronounced sympathy for his clients' plight.

His speedy mastery of the inner workings of Lloyd's, coupled with his successful background in commercial litigation, made it almost inevitable that he would be leading the crusade when it set off. He has a powerful mastery of oratory - probably too abrasive a style for a QC, but just the tonic for spurring depressed and impoverished members of Lloyd's.

Nice try

■ The Royal Institution of Chartered Surveyors is maintaining a stiff upper lip. No, Rob Andrew of Debenham Tewson & Chinnocks was not picked as young chartered surveyor of the year because he is a brilliant rugby fly-half. He was nominated on the grounds that he was "destined, on business qualities alone, to become a leading member of the profession". And as for his recent move to Toulouse, where young Rob seems to be playing a lot of rugby, the RICS says it has added a "continental dimension" to his business involvement which has "brought great credit to the institution". Hear, hear.

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LETTERS

Some fresh and practical tools for managers

From Ms Margaret Exley.

Sir, In his rush to dismiss Christopher Lorenz's article on Peter Senge (Management, February 17), Tony Gill misses the point (Letters, February 21).

What matters is not whether "organisational learning" is the latest fashion, but whether as an idea it makes a difference. Peter Senge is not only a purveyor of systems thinking (an old idea). He also offers some fresh and practical tools for managers.

Not least is the exploration of their own taken-for-granted mental models – a revolutionary process if done well. Another is the linkage between systems thinking and organisational learning.

Operations researchers would have had us believe that systems are self-correcting, but organisations are only self-correcting if managers intervene and make sure the learning takes place.

Organisational learning is about accessibility of knowledge. Any readers of Senge's rather heavy book will have found Christopher Lorenz's plain English guide a welcome contribution.

Margaret Exley,
managing director,
Kingsley Lord,
34 Old Queen Street,
London SW1H 9HP

Circle must be squared on monetarist question

From Sir Alan Walters.

Sir, Mr Samuel Brittan derides and condemns all forms of monetarism expounded by Patrick Minford, Tim Congdon, myself, and presumably all other British monetarists ("UK monetarist golden age – alas a myth", February 24). Fair enough. But what I do not understand is how Mr Brittan can square this contempt for British monetarism with his great enthusiasm for German monetarism. The Bundesbank announces monetary targets and, as has been amply demonstrated over the last six months, it adjusts interest rates and open market operations to bring the money supply into its target band. Is this not a monetarist policy as practised by the Bundesbank over the last three and a half decades?

Indeed so great is Mr Brittan's admiration for German monetary policy that, since 1985, he has urged that, by joining the ERM, Britain should be subject to German monetarism. One can appreciate the argument that one can trust the Bundesbank and perhaps the European Central Bank more than the politicians who controlled British policy. But embracing German monetary policy does necessarily imply that one accepts the fundamental relationships between money, incomes and prices, in short monetarism, that underlies and guides Bundesbank policy.

We would all benefit if Mr Brittan could explain how this circle is squared.

Alan Walters,
vice-chairman,
AIG Trading Corporation,
1200 19th Street NW,
Washington DC 20036, US

Information technology delivers only with proper direction

From Mr Peter Rowbrey-Evans.

Sir, It is the common misconception – that information technology should always be a corporate function in its own right – that is responsible for most of the marital difficulties of business and IT ("Catalogue grows of IT woes", February 20). Despite its importance, and increasing relevance to many companies' activities, IT should generally be subordinate to a business systems function. Such a department – possessing a sound knowledge of the business, information systems and the capabilities of IT – is best placed to formulate IT policies and strategies and to direct IT. In this way a purpose-built bridge can link the business's needs and the use of IT, instead of the flimsy constructions which IT managers are often forced to build.

The UK and many other countries have a wealth of good IT specialists. Without proper direction – and a forum in which their valuable advice and ideas can be understood and evaluated – in-house computer systems staff will seldom be able consistently to deliver the goods.

Peter Rowbrey-Evans,
30 Lymington Road,
London NW6 1HY

Not swag, but highly motivating

From Ms Kate Mortimer.

Sir, So far I have seen no one challenge the thought that the defendants in the Blue Arrow and Guinness trials were not "in it" for personal gain, and therefore should be treated somehow differently from fraudsters who directly steal the clients' money. I am sure I cannot be alone in taking exception to this. What are bonuses, profit-related pay, commissions, promotions and capital gains (not to mention a Lord of the Universe reputation) if not "personal gain"? Not so crude as bags of swag, no doubt, but highly motivating all the same.

Kate Mortimer,
Lower Corscombe,
Okehampton,
Devon EX20 1SD

Did not wait to resign

From Mr Greg Dyke.

Sir, You ask (Observer, February 21) why did I wait a month after the teletext licence bids were submitted before resigning from the ITN board?

The answer is clear – I didn't! I always disagreed with ITN being involved in a bid for the teletext licence and made that clear several months ago at the board of ITN. I also made it clear that, if ITN were involved in a bid, I would not stay on the board.

Once the bid was submitted I quietly resigned. When the board met last week they decided to announce my resignation, despite my request to be allowed to go quietly.

Greg Dyke,
chief executive,
LWT (Holdings),
London Television Centre,
Upper Ground,
London SE1 9LT

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution

Too late to avoid problems

From Sir Douglas Hague.

Sir, I hope you will allow me, as a believer in the accuracy of historical records, to clarify my discussion with Sir Terence Burns, reported by Peter Marsh (Monday Profile, February 24).

The conversation occurred in June 1987 when my argument was this: first, I believed that the rate of growth of economic activity in the UK was unsustainably high; second, that this would lead to serious inflation which could be corrected only by monetary policy.

Sir Terence took the view that since house prices were not rising significantly all was reasonably well. To this I replied that unless policy were changed house prices would begin to rise rapidly but that by then it would be too late to avoid serious problems. Your readers will be able to judge which of us was nearer the truth.

Douglas Hague,
chairman,
Doctus Consulting Europe,
Windsor House,
3 Pepper Street, Chester

Engineering job cuts are those Britain cannot afford to make

From Mr Tim Webb.

Sir, On Wednesday, February 12 1992, British Aerospace announced 2,350 redundancies – 900 in the regional aircraft company and 1,450 in military aircraft. Redundancies of that amount are always significant, particularly in Britain's largest manufacturer and exporter. What was even more significant, however, was that about 70 per cent were managerial and technical staff, including about 1,000 professional engineers.

The trend in recent redundancy announcements in high-tech manufacturing is for white-collar job losses to outnumber those of manual workers. While any job lost is a tragedy for the employee concerned, the type of jobs now being cut are those which neither the employer nor the national economy can afford to lose. It was only a short time ago that companies like BAe, Rolls-Royce, GEC and British Nuclear Fuels were scouring the universities and polytechnics of Britain, promising bright, long-term careers for engineering graduates. Now they are sacking them in large numbers.

It is a well-publicised fact that Britain has a shortage of qualified engineers; it should not be thought, however, that those displaced will readily find alternative work. Geographical factors, family, lack of retraining opportunities and, above all, the UK recession, make it extremely unlikely that other jobs will be available. It is certain that many of the new unemployed will be sceptical of Britain's engineering future and will look for other career paths. Some will drift into casual types of work merely to have an income.

In towns around the manufacturing base, Britain may be able to boast some of the best educated and qualified mini-cab drivers who were previously professional engineers.

One of the latest absurdities to emanate from Michael Howard, Secretary of State for Employment, is that employees should be required to repay the cost of training if they move to another employer. What message would he have for the highly skilled employees of BAe who have sacrificed time and money to achieve professional qualifications, only to be dumped into the ever larger pool of the unemployed?

The government believes that random market forces will resolve the problems but they cannot and will not. We elect governments to manage the economy. This government stands on the sidelines wringing its hands and reciting incantations about worldwide recession, recovery just around the corner and that it would be worse under Labour. How much worse can it get?

Tim Webb,
national officer,
MSF,
Park House,
64-66 Wandsworth Common North Side,
London SW18 2SH

Edward Mortimer

Iraq's gruesome stalemate

The west must now formulate clearer and more specific objectives in relation to the Gulf

FOREIGN AFFAIRS

Exactly a year ago, Iraqi forces were in headlong retreat from Kuwait. Operation Desert Sabre – the coalition ground offensive – was in full and deadly swing: one of the most rapid and overwhelming military victories in the history of warfare, ancient or modern.

The US-led, UN-authorised coalition unquestionably won the war. But did it lose the peace? That is a much harder question. Kuwaiti sovereignty was restored, yet Kuwait today is by all accounts a broken-backed, acutely xenophobic society, insecure both in its domestic affairs and in its relations with its neighbours.

Apart from the inevitable reprisals against those accused, justly or otherwise, of collaboration, whole communities of people who lived in Kuwait for a generation or more – helping to build and run its ultra-modern infrastructure in return for a very modest share of its enormous oil revenues – have been forced to leave. The citizenship laws remain as restrictive as ever, but the ruling family seems reluctant to concede any real power even to those who qualify as citizens.

Of the new security arrangements in the region, much talked about before, during and after the war, there is no sign. Kuwait and the other Gulf states remain dubious about accepting any long-term military presence of their Arab "allies", nervous about the growing power of Iran, and desperate for continued protection from western countries which, for their part, are much happier to sell arms than to envisage any further involvement of their own forces.

Above all, President Saddam Hussein remains in power, alternating submission and deception with provocation and truculence, as the UN struggles to get a hold on his programmes for manufacturing weapons of mass destruction – programmes which turn out to have been far more advanced and extensive than was suspected even a year ago.

The war was fought to liberate Kuwait and to "restore international peace and security in the area". The liberation of Iraq from Ba'athist tyranny was not an official war aim, although US President George Bush did (on February 15 last year) call on the "Iraqi people to take matters in their own hands to force Saddam Hussein the dictator to step aside". In his mind this was a means, not an end: a less dangerous (for the coalition forces) and less destructive route to victory than the direct liberation of Kuwait by a ground offensive.

But the Iraqi people took it the other way round, seeing the coalition's victory as a route leading to the overthrow of Mr Saddam's regime. They rose in revolt too late to be useful from Mr Bush's point of view, and their expectation of his assistance was cruelly disappointed.

I remain convinced that the insurgents could have won last year's civil war in Iraq if the US and its allies had given them firm support – even without the allies committing their own ground forces to a new offensive. They could have been supplied with food and weapons, plenty of which had been captured from Iraq during the liberation of Kuwait. They could have been given air cover, particularly against helicopter attacks (as they were, under the terms of the ceasefire, against fixed-wing aircraft). And the west could have pledged support for their proclaimed objective of a united but democratic and pluralist Iraq, bringing their leaders together and cementing their new-found unity.

That is disputed in the analysis of the Gulf conflict published by the International Institute of Strategic Studies*. The rebellions, it points out, were "spontaneous, disorganised and poorly armed, and were no match for the fire-power of the troops loyal to the regime. Also, very early on, the revolts came to be seen as inherently sectarian and secessionist . . ."

That is true, but it begs the question. Western support would have gone far to correct this impression, especially if endorsed by Egypt, Saudi Arabia and Turkey. All three of those countries were on record as wanting to see Mr Saddam overthrown, and the Turkish president, Mr Turgut Ozal, explicitly called for a democratic regime in Iraq while publicising his contacts with Iraqi Kurdish leaders.

Such a combination would have helped to convince the Iraqi officer corps, drawn predominantly from the Sunni Arab minority, both that Mr Saddam was a loser and that the successor regime would be a moderate one under western and Arab tutelage, rather than a sectarian Shi'ite one backed exclusively by Iran.

The repression in the south has been, if possible, even more savage than in the north, and in the south there is no 'safe haven'. There, too, there is an acute shortage of food and medical supplies

Why reheat this long-cold meal now? Because, in one form or another, it still has to be digested. Today in Downing Street the British prime minister receives Mr Massoud Barzani, leader of the Kurdistan Democratic party and, thanks to the western intervention last spring, one of the two de facto rulers of northern Iraq – an area from which Mr Saddam has withdrawn his military forces, but which he is now trying to starve into submission. Mr Barzani will plead for food supplies to be sent in directly, across the Turkish and Iranian frontiers. He will also ask Britain to send official observers to witness elections in Kurdistan.

To refuse such requests would be yet another cynical betrayal of the Kurds, like that which Mr Barzani's father suffered in 1975 when the US acquiesced in the Algiers agreement between Iraq and Iran, cutting off the aid that had encouraged the Kurds to fight.** But to grant them would take Britain close to supporting a separate Kurdish state, unless it is done as part of a strategy for liberating Iraq as a whole.

For the fact is that the repression in the south has been, if possible, even more savage than in the north, and in the south there is no "safe haven". There, too, there is an acute shortage of food and medical supplies, with epidemics rampant and infant mortality rising steeply, not because food and medicine are embargoed but because Mr Saddam refuses to sell oil to pay for them on the terms fixed by the UN Security Council.

Western policy towards Iraq has resulted in a gruesome stalemate, of which the Iraqi people are the main victims. Recognising this, Mr Bush and his vice-president, Mr Dan Quayle, have recently pledged that Mr Saddam will not be allowed to remain in power indefinitely, although without explaining how they intend to remove him. Meanwhile, the Iraqi opposition is again gathering itself together, and planning to unite at a congress in Vienna at the end of March. This time, the west must be much clearer and more specific about its objectives. It should encourage the proclamation not of a separate Kurdish state, but of a provisional government for the whole of Iraq, and should supply that government with weapons and air cover so that it can gradually expand the area denied to Mr Saddam's forces, until at last those forces turn against him.

Anyone who wants to help some of Mr Saddam's victims in the south can support the Iraqi Humanitarian Relief Committee, which is trying to buy second-hand ambulances in the UK and send them out to the Iraqi refugee camps in Iran. Its patron is the British MP, Ms Emma Nicholson, and its address is 50 Wendover Road, London NW10 4RT.

* *The Gulf Conflict: A Political and Strategic Analysis (IISS Adelphi Papers 264, Winter 1991-92).*

** *See David McDowall, The Kurds: A Nation Denied (Minority Rights Publications 1992), page 97.*

PERSONAL VIEW

Arts funding: too precious to be a political drama

By Peter Palumbo

President George Bush's removal of Mr John Frohnmayer, chairman of the National Endowment for the Arts, illustrates what happens when politicians meddle in art. Mr Frohnmayer's tenure of office demonstrated what has long been known at the Arts Council of Great Britain, the Endowment's UK counterpart: namely that artists need freedom to experiment, and that freedom can be costly and controversial.

The Arts Council spends £200m annually on the arts under protection of its royal charter. Its chief executive is accountable to parliament. The system provides a buffer from political interference.

In an election year in the UK, not surprisingly siren voices have already been calling for direct ministerial funding of the arts' "flagships", including the Royal Opera House and the Royal Shakespeare Company. At present these organisations receive grants from the Arts Council, whose experts assess artistic quality – that elusive category – and their value for money.

It may be tempting for a new arts minister to short-circuit this process and send the cheques himself, but the consequences of such a move would be serious. It would ride roughshod over the "arm's length" principle of keeping politicians away from "artistic" decisions (contrived by Lord Keynes, the Arts Council's founder and first chairman); and it would store up significant political fall-out, since the minister would then have to provide detailed answers in the Commons on questions relating to everything from Hamlet's father's ghost to the cost of costumes in a production of the Ring Cycle. Direct funding of the arts remains an unattractive political option.

This does not mean the arts are politically unimportant. It means a distinction must be drawn between an effective public policy to support the arts and the practical means to carry it out.

A recent independent survey for the Arts Council revealed that 71 per cent of respondents values the arts as a prime contributor to the quality of life; and 69 per cent supports public investment in the arts. In 1990, 17m adults regularly attended more than one type of arts event. In the past five years opera audiences have risen 15 per cent; jazz by 10 per cent. Last year 100m people visited art galleries and museums, far more than attended football matches. Later this year the Arts Council will unveil its national arts and media strategy which aims to take account of the changing patterns of leisure and participation in the arts. The Arts Council will look to a new government to assist it in carrying out the national strategy.

However, there is another reason why British politicians should pay attention to the arts: they make money, in fact more money than the UK motor industry. How?

- Arts expenditure: the total estimated spending on the arts in 1990-91 was £1.5bn – modest in the context of the UK gross domestic product of £547bn. The £1.5bn provides for libraries, the Arts Council, military bands, museums and galleries and new arts buildings.
- Arts income: according to the Treasury, the arts contributed £6bn to the UK balance of payments in 1990. This figure includes the sale of works of art, publishing, television and film royalties and arts expenditures in tourism. By contrast, the value of UK vehicle exports in 1990 totalled £4bn.

On the basis of this evidence, television news ought to carry stories nightly about the arts industry, displacing the familiar litanies of Rover. But this is unlikely.

The "big issues" in the election will be health, education, defence and taxation. Scarcely any other issue receives detailed public scrutiny. So what do the main political parties have to offer the arts?

The Conservatives promise "an expanding partnership between the state and the private sector", pointing to the success of the government's business sponsorship incentive scheme which has produced £30m annually of business support. In spite of talk of "incentives for the successful development of the arts", no new fiscal measures have yet been mentioned by the government despite indications that a national lottery might be included in the manifesto.

Labour has produced arts policy documents, including the crafts, design, women in the arts and architecture. Its "big idea" is a new ministry of arts and media. The Arts Council is to remain. The party also proposes new statutory responsibilities for local authorities. However, a "weak" obligation to support the arts placed upon local councils might produce an extra £50m-£100m bill for the environment secretary. Labour has also made noises of approval for a national lottery to support the arts, sports and the environment.

Like Labour, the Liberals promise a single ministry for the arts. They undertake to provide increased public funding for the arts "up to the European Community average", which suggests a quadrupling of the Arts Council's grant. They also promise to abolish entrance charges to museums and galleries.

The Scottish National party's policy for the arts is predicated on the belief that Scotland's national culture is under threat from the dominant culture of England. The SNP promises a national theatre for Scotland, and action to safeguard traditional folk arts.

So far so good. One big difference between the forthcoming election and that of 1987 is that the political parties seem to have taken the arts more seriously. But the general principle, pace Mr Frohnmayer, is that the arts are too precious a resource to be the subject of radical party political differences. What is undoubtedly clear is that the arts will be remembered long after Ecu and Emu are forgotten.

Lord Palumbo is chairman of the Arts Council of Great Britain

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Wednesday February 26 1992

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Economic gloom but the doom is overdone

The recessionary clouds in France are not without a silver lining, writes Ian Davidson

ALMOST every time President François Mitterrand appears in public, he chides the French people for their pervasive mood of gloom.

"France has the highest average income in Europe," he said earlier this month. "I want to convince you that the French are as capable as others of overcoming the crisis. Our economy is in good health."

Fundamentally the French economy is indeed in good health, and it has received an approving verdict in the latest report from the Organisation for Economic Co-operation and Development. But the current gloom about the economy is justified: revised government figures show that the recession in France is significantly more severe than was previously forecast.

The Statistical Institute had been counting on gross domestic product growth of 0.6 per cent in the fourth quarter of last year, to give overall growth for 1991 of 1.4 per cent. However, the latest figures show that the economy was flat in the fourth quarter, and that the final figure for growth in 1991 was barely 1 per cent.

The rising trend of the unemployment figures is an increasing preoccupation for a government facing the prospect of a severe rebuff in next month's regional elections, and the near-certainty of defeat in the general elections a year from now.

During September, October and November the unemployment figures rose steeply. And though the rate of increase appeared to slow significantly in December, the seasonally adjusted unemployment rate at the turn of the year was equivalent to 9.8 per cent of the workforce, compared with 9.1 per cent in 1990.

Mr Pierre Bérégovoy, the finance minister, recently said: "We shall avoid 3m unemployed in 1992." But figures published yesterday show that unemployment rose again in January, to 2.86m.

The Labour Ministry yesterday predicted that the number of job-seekers would decline, in crude terms, in coming months. But the unadjusted unemployment figures are already up to 2,965,617, only a whisker short of the politically fateful figure of 3m despite three job creation packages in less than a year.

If the recession has a silver lining, it is the continued fall in inflation and a sharp improvement in trade figures.

The 0.1 per cent increase in the retail price index in December brought the overall increase for 1991 to 3.1 per cent. This was not just an improvement on the previous two years (3.4 per cent in 1990 and 3.6 per cent in 1989), but also a better performance than in most of France's neighbours, including Germany (4.2 per cent), Netherlands (4.9), Italy (6.5) and Switzerland (5.3).

KEY 1992 FORECASTS FOR FRENCH ECONOMY

	OECD	INSEE*	BNP	Goldman Sachs
GDP growth %	2.1	1.0	2.1	1.4
Unemployment %	10.1	10.2	n/a	10.3
Trade balance bnFfr	-10**	-9.5	-20	-43.8
Inflation (annual rate) %	2.9	1.8	2.9	3.0

* Forecasts for first half 1992. ** US$bn.
Sources: OECD Economic Outlook Dec 1991, INSEE December 1991; Banque Nationale de Paris, 1st quarter 1992; Goldman Sachs, February 1992.

The improved competitiveness of the French economy has been reflected in a sharp recovery in the trade figures. Last year the total trade deficit fell from just under FFr50bn ($8.92bn) to just over FFr30bn. The trade deficit in civil industrial goods fell from nearly FFr86bn in 1990 to just over FFr49bn in 1991.

France has also made a spectacular turnround in its trade balance with the rest of the EC, from a deficit of FFr39bn in 1990 to a small surplus of FFr2bn in 1991.

The positive trend in the trade balance was confirmed yesterday with figures for January, showing a surplus of FFr3.6bn, compared with a deficit of FFr2.7bn in December.

The recession has, however, blown the government's budgetary strategy off course. Last year it managed to stay pretty well within its planned spending limits, but tax receipts collapsed. As a result, the Finance Ministry says the 1991 budget out-turn will be FFr123bn, compared with a target of FFr80bn.

The knock-on effect of the tax short-fall is that it is doubtful whether the government can stay within its 1992 planned budget deficit of FFr90bn. Here the critical unknown factor is the timing of the recovery.

The most recent forecast by the Statistical Office pointed to an annual growth rate of 2 per cent during the first half of this year. This was broadly consistent with the calculations of the OECD, which forecast a rate of 1.9 per cent in the first half, accelerating to 2.4 per cent in the second.

However, both these predictions were made in December, before the depth of the recession was fully known. Moreover, the record suggests that France needs a growth rate of at least 2 per cent to stabilise unemployment and of 3 per cent to bring it down. It is not surprising, therefore, that the OECD forecasts that unemployment will continue to rise this year, before stabilising at slightly more than 10 per cent; not surprising, but very uncomfortable for a Socialist government.

Growing pessimism in Germany, Page 2

GEC claims compound is superior to any high-voltage electricity carrier available

UK researchers find superconductor

By Clive Cookson, Science Editor, in London

BRITISH researchers have discovered a new "high-temperature superconductor" which may be suitable for large-scale applications such as cables that could carry electricity for hundreds of miles without losing energy.

The discovery at the General Electric Company's Hirst Research Centre in London, followed a two-year search using a robot which made and tested materials with 15,000 different chemical compositions.

The work was part of a collaborative project involving six European companies under the EC's Brite-Euram programme.

The original excitement about high-temperature superconductors – ceramic materials first made in 1986 which lose all electrical resistance at the temperature of liquid nitrogen (-196 deg C) – had been waning as scientists began to learn more about their disadvantages.

Most serious is the fact that they cannot carry the large currents required for power engineering or to make magnets powerful enough to levitate heavy objects such as trains.

GEC says its new material promises to be "superior to the known high-temperature superconductors in important respects, especially for high current applications".

Details of the compound, which includes seven chemical elements including cadmium, lead and copper, will be published later this week in a specialist journal, Superconductor Science and Technology.

The compound resembles the thallium series, the best superconductors which have been discovered to date, but without its drawbacks of toxicity and volatility.

Although only a few grammes have been made so far, the scientists have established that it is a stable and reproducible material which becomes superconducting at -181 deg C.

The next step will be for GEC to transfer the material to the other participants in the EC project: BICC, ABB, Alcatel Cable, Pirelli Cavi and Siemens. They will work to develop superconducting cables from it, though these are unlikely to reach the power engineering market for another 10 years.

According to an EC estimate, Europe could theoretically save £2bn a year by replacing its existing power transmission system with superconducting cables cooled by liquid nitrogen.

Another large-scale application, which Japanese electric companies are spending millions of dollars a year to develop, is energy storage: electricity can flow indefinitely around a superconducting coil until it is needed.

The US has the world's largest research programme into superconductivity, with funding of $200m a year from the federal government and a further $100m a year from US industry. Next comes Japan, where government and industry each spend an estimated $120m a year.

Europe's total superconductivity research programme, funded by national governments, industry and the EC, is slightly smaller than Japan's. But, as the GEC discovery shows, it still delivers results.

BAe in talks with Japanese groups on regional jet

By Paul Betts, Aerospace Correspondent, in Singapore

BRITISH Aerospace is in talks with Japan's three leading aerospace companies – Kawasaki Heavy Industries, Fuji Heavy Industries and Mitsubishi Heavy Industries – over a possible partnership in the UK group's BAe 146 regional jet programme.

France and Germany in dispute over Airbus assembly ......Page 3
BAe in deal with European helicopter group ......Page 7

BAe has been seeking industrial partners for its regional jet programme, which has suffered from the slump in civil aviation and the acute financial problems of smaller airlines.

Senior BAe executives confirmed yesterday that the company has had wide-ranging talks with several European and Japanese manufacturers but that it was particularly interested in forging an alliance with Japan.

A Japanese partnership would boost BAe's presence in the Asia-Pacific civil aircraft market, which is expected to show strong growth during the next 10 years.

The Japanese companies are also interested in a partnership venture with an established western aerospace manufacturer, which would give them access to the development of a commercial aircraft programme rather than simply subcontracting work.

Mitsubishi has had discussions with Deutsche Aerospace on co-operation in the regional aircraft sector, but these talks are understood to have failed to make any progress.

Deutsche Aerospace has been seeking to launch a new $2.5bn regional aircraft programme in co-operation with France and Italy, but the project's timing appears to have been delayed by the current depressed state of the market.

BAe has offered the Japanese manufacturers an opportunity to join its 146 programme, including the development of a new 100-seat regional airliner.

The European Airbus consortium, in which BAe has a 20 per cent stake, has also had preliminary talks with the big three Japanese companies on a possible partnership in the development of a new very large Airbus programme involving a 600-seat jumbo airliner towards the end of the 1990s.

The Japanese companies have so far been tied to Boeing, the world's largest manufacturer of commercial aircraft, but their role in the US company's programmes has been limited to subcontracting.

BAe and Airbus would offer the Japanese the opportunity to share in the development of commercial aircraft programmes, which Boeing has so far been reluctant to do.

BAe has also been seeking a partnership to rationalise its lossmaking BAe 146 business as part of the company's overall restructuring strategy.

The UK group has called for a rationalisation of the regional aircraft industry, where competition among companies has become intense because of the large number of rival programmes.

The links between BAe's Rover car subsidiary and Honda, the Japanese group, have helped to increase the UK company's visibility in the Japanese market and given an added boost to the discussions with the three aerospace manufacturers.

BAe this month split its commercial aircraft operations into three separate units to give it greater flexibility in its rationalisation programme and its search for new international partnerships.

Former Japanese prime minister Zenko Suzuki testifies to a parliamentary committee that he received Y10m from an indicted politician for services rendered. Report, Page 4

New Tokyo scandal emerges

Continued from Page 1

Exchange Law, which followed last year's scandals and which outlawed the practice of brokers' guaranteeing to buy back stock at a pre-set price. No longer could a broker promise to buy back shares – even if the pledge only covered a short period of time when shares were parked with one client on behalf of the other.

In Cosmo's case, the broker transferred a lossmaking portfolio from an unnamed company to the account of Skylark, a restaurant operator. The unnamed company refused to take the securities back so Skylark sued Cosmo and has settled for compensation of Y36bn. According to Cosmo, the transactions were the work of an individual employee who forged papers needed to transfer the losses to Skylark.

Daiwa also said its dispute with Tokyo Land involved the work of a single employee carrying out unauthorised transactions.

The disclosures highlight the scale of losses suffered by investors in the Japanese stock market since shares plunged in early 1990. "These cases are the tip of the iceberg," said Mr Peter Tasker, research manager at the Tokyo office of Kleinwort Benson, the UK merchant bank. The total capitalisation of companies listed on the First Section of the Tokyo Stock Exchange has dropped from Y590,000bn at the end of 1989 to less than Y350,000bn.

For smaller houses, which are operating deeply in the red because of the slump in stock exchange turnover, heavy portfolio losses may spell the end of their survival as independent companies.

The securities bureau of the Finance Ministry, which in the heyday of the bull market staunchly opposed the entry of banks into the securities market, is now changing tack. Seeing banks as potential saviours of loss-bound broking companies, it is considering raising from 5 per cent to 50 per cent the maximum stake a bank can hold in a securities company.

Decline in US consumer confidence

Continued from Page 1

Analysts said the most worrying aspect of the confidence survey was a sharp decline in a component measuring future expectations. This fell to 62.2 compared with 68.7 last month and over 100 last summer, suggesting that consumers have become more pessimistic about economic prospects.

Mr Fabian Linden, for the Conference Board, said the consumer's prime concern was job security. The anxiety was credible given recent statistics which showed a decline in the numbers employed and a cut in the average working week.

Mr Norman Robertson, chief economist at Mellon Bank in Pittsburgh, said the figures made another cut in interest rates likely, probably after next week's employment report.

Consumer spending accounts for two thirds of economic activity.

WORLDWIDE WEATHER

City		°C	°F
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Algiers	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]
Athens	[illegible]	[illegible]	[illegible]
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Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

THE LEX COLUMN

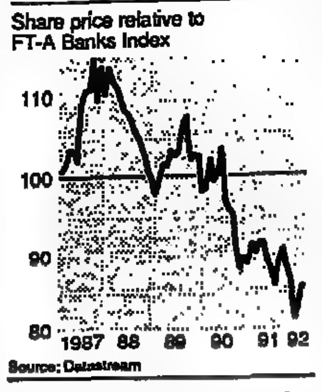
A preference for proper equity

ECC's decision to repay the bulk of its US auction preferred stock with the proceeds of a £200m rights issue will do little to calm jitters in a once fashionable corner of the securities market. It always seemed imprudent for companies to build a substantial part of their capital structure on an instrument which relied on a tax concession for its efficiency; the strategy becomes that much more unwise, though, when the relative cost of servicing starts to increase. ECC's decision will no doubt revive discussion about how AMPS are to be treated under revised rules from the UK's Accountancy Standards Board. Common sense suggests that they should be included as debt for cover purposes in the profit and loss account. The unfortunate example of Ratners demonstrates that in balance sheet terms they can legitimately be counted as equity.

ECC, though, is very far from the Ratners league and, encouraged by a much better than expected profit forecast, investors shrugged aside the cash call with a 7p increase in the shares. It may be that the new paper will put an end to the recent outperformance of the shares. But with chief executive Andrew Teare's touch apparently as sure as ever it would not do to count on it.

FT-SE Index: 2,546.8 (−12.9)

NatWest



Source: Datastream

Unilever

With the benefit of hindsight Unilever's chairman Sir Michael Angus might have chosen another year in which to unveil valedictory results. Recessionary scars on both sides of the Atlantic were obviously reflected in yesterday's 1 per cent pre-tax profits and 4 per cent earnings advance in calendar 1991. Even so, the 1 per cent underlying volume increase looks a touch pedestrian set beside Nestle and BSN. No doubt the market's response in marking Unilever's shares 3 per cent lower was compounded by publication of one of the gloomiest US consumer confidence indicators since the mid-1970s.

What really stands out, though, is the company's formidable balance sheet strength. Net debt was not far short of £3bn in mid-1990, but with the 4P proceeds and promised sale of the agricultural businesses, plus a continuing working capital squeeze, that figure could be not far above £1bn by the end of the year. A lower interest bill ought to maintain the profits momentum in the absence of an upturn. European margins, meanwhile, already boosted a point or so by the sale of poor performing oil milling, paper and agricultural merchanting businesses, are set to reach double figures with the cost cutting benefits of the single market programme. Given the huge medium-term potential the shares are well worth holding for an earnings multiple just 5 per cent higher than the market average.

NatWest

The starting point for a consideration of National Westminster's results is scarcely encouraging. Here is a bank effectively paying a maintained dividend out of capital raised from the market last year. It has only belatedly got round to tightening up its lending practices despite running up £1.9bn in provisions. Operating costs are running well ahead of inflation. Such a past does not easily lend itself to expectations of a glowing future.

To be fair, buoyant commission income helped boost operating profits by 20 per cent compared with just 14 per cent at Lloyds. Yet, if earnings do rebound this year, it will be largely because of falling provisions in the US, spiced by some $1bn in tax credits carried forward by a now profitable National Westminster Bancorp. There will hardly be a repeat of the £111m write-back of provisions on problem country debt, however, or of the £52m credit from release of provisions by 3i. So the bank will have to make up some ground just to match 1991's pre-tax profits of £110m.

Even assuming NatWest is right to expect some fall in UK provisions this year – and Lloyds takes a somewhat less sanguine view – earnings are unlikely to do much more than cover a maintained dividend in 1992. The lack of profit retention may not matter if loan demand stays weak, but then backers of the shares as a recovery stock might ask where growth will come from in the medium term. The bank cannot squeeze extra commission out of its customers indefinitely.

Currencies

It would have been nice for the UK government if yesterday's Spanish rate cut had created some leeway for sterling in the ERM. In the event, the pound remained at its floor against the peseta and both currencies slipped against the D-Mark. If there is to be a UK interest rate cut before the election, it looks as though the government will simply have to ignore the ERM constraint and hope the peseta continues to move with sterling.

That is a risky course, which probably explains why the authorities appear bent on deferring action as long as possible. The danger of delay is that a poll-conscious market might infer that the government had lost faith in its ability to win the election. In that case the opportunity to cut might never materialise.

Coal imports

AB Ports' decision to pull out of the proposed development for coal imports at its Immingham deep-water facility was a surprisingly blunt reaction to a request for a delay from PowerGen. Granted, the issue of coal imports has become a hot political potato. The two electricity generators are in the throes of negotiations with the government over future contracts with British Coal, and are doubtless also worried by the possibility that a Labour government would take a tough line on imports. But it is hard to see why AB Ports should have called such lucrative proceedings to a pre-emptory halt when it will presumably have to fund any alternative project itself.

As for what the disappearance of perhaps 10m tonnes of import capacity will mean for the generators further out, it seems safe to assume that National Power will now decide to develop a facility in Teesside as well as Bristol and Hull, while arguably PowerGen had somewhat less need of Immingham in the first place. If UK coal is a little less expensive compared to imports, so much the better for British Coal. A deal before the election seems more likely than ever.

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FINANCIAL TIMES

COMPANIES & MARKETS

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INSIDE

SmithKline Beecham profits reach £1bn

SmithKline Beecham, the Anglo-American pharmaceuticals and consumer products group, yesterday reported a 17 per cent rise in pre-tax profits, pushing them across the £1bn ($1.74bn) threshold for the first time. Mr Robert Bauman, SmithKline's chief executive, said the results were excellent in spite of the 2 per cent drop in turnover to £4.68bn. Trading conditions in the US consumer market were described by Bauman as "tough". Page 20

Sweeping reforms in Mexico

The Mexican government's sweeping reforms to compulsory pension and housing funds may bring long-term stability to the country's notoriously volatile capital markets. The changes, which require employers to pay 2 per cent of employees' salary into personal pension funds administered by the commercial banks, and 5 per cent of salary into personal housing funds administered by a housing agency, are expected to boost domestic savings by $1bn in the first year of operation. Page 19

GM profits fall 8% in Europe

Net profit of the European operations of General Motors fell last year by 7.9 per cent to $1.76bn from a record $1.92bn in 1990. In spite of the modest decline GM was probably still the most profitable of the big six volume carmakers in Europe last year, however, with a 7 per cent net profit margin. Page 15

The 386 battle rages on

The five-year bitter dispute between Intel and Advanced Micro Devices over the 386 microprocessor shows no sign of ending. Intel has decided to challenge an arbitrator's award to AMD of rights to any Intel technology that it might wish to incorporate into its own version of the 386. Now with both sides claiming the arbitration decision as a victory, competition between the chipmakers is set to force prices even lower. Page 17

First-half loss for TNT

TNT, the Australian transport group, yesterday blamed recession and stiff competition for a first-half net equity accounted loss of A$46m (US$34.6m) compared with a profit of A$49m in the corresponding period of the previous year. After taking account of abnormal items, the loss increased to A$51m. Page 17

Farmers fear CAP won't fit

The future of Finnish agriculture looks like the only serious obstacle in the way of Finland's membership of the European Community. A formal entry application is expected to be forwarded to Brussels by the middle of next month, but the government of the rurally-based Centre party is well aware of the anxieties among many Finnish farmers who fear they may lose their livelihoods if Finland adopts the EC's common agricultural policy. Page 22

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				Rises			
PWA	235	+	5	Cetelem	776	+	25
Philips Kom	570.5	+	10.5	Essilor	407	+	22.9
Falls				Gal Lafayette	1535	+	62
Aachen	850	–	13	Falls			
Gerresheimer	338	–	19	Havas	486.1	–	15.9
Linotype	819	–	10	Moulinex	189.2	–	8.3
Mercedes	565	–	9	Schneider	690	–	23
NEW YORK ($)				TOKYO (Yen)			
Rises				Rises			
SmithKline	73¾	+	1¾	Fujita Tourism	2000	+	150
Falls				Japan Wool	1740	+	60
Ford	35⅝	–	1¼	Sumitomo 1st	1250	+	50
Gen Motors	35	–	1¼	Falls			
Intel	53⅞	–	1½	Hitachi Sales	650	–	26
Merck	152⅞	–	2⅞	Sumitomo Wareh	576	–	26
Procter & G	100⅝	–	1⅞	Toyo Trust	1200	–	60

LONDON (Pence)							
Rises				Barratt Devs	71	–	4
Bartaircare	254	+	9	Cannon St Invs	22	–	4
Bodington	185	+	6	Glaxo	793	–	20
Gates(Frank G)	68	+	5	Greycoat	57	–	4
Kalon	99½	+	3	Harland Simon	150	–	17
Lincoln House	6	+	2¼	Holmes Marchant	25	–	35
Lon Forfaiting	135	+	6	Huntleigh Tech	388	–	17
Mersey Docks	201	+	5	Kwik-Fit	182	–	12
Tomkins	394	+	19	LandSecurities	440	–	11
Unitech	208	+	7	Saxon Eng	228	–	12
Welsh Indt Inv	90	+	20	Unilever	938	–	30
Falls							
BET	163	–	6				

Fraud inquiry into sale of Perrier stake

By **William Dawkins** in Paris

FRENCH police have been called in to investigate suspected irregularities in the sale of a stake in Perrier, the mineral water group, to Saint Louis, the sugar group allied to Italy's Agnelli family.

Mr Hubert Gasztowtt, for the public prosecutor's office, yesterday told the Paris commercial court that a preliminary inquiry into possible "penal infractions" had been handed to the fraud squad. Legal officials said investigators would be looking for insider trading.

This latest twist in the increasingly bitter struggle for control of Perrier coincided with the first day of one of two court cases in which Nestlé, the Swiss food multinational, is seeking to reduce the Agnelli stake.

An Agnelli holding company launched an agreed bid for Exor, a French holding company owning 35 per cent of Perrier, late last year. The subsequent purchase of more Perrier shares by Saint Louis allowed the Agnelli camp to lift its stake in the water company to 49 per cent, only days ahead of a hostile FFr13.4bn ($2.39bn) bid for Perrier from Nestlé, four weeks ago.

The Swiss group's hopes of acquiring Perrier hinge largely on its winning at least one of the legal cases. Nestlé had an initial setback yesterday when the public prosecutor advised the Paris court to uphold the sale of a 13.8 per cent stake in Perrier to Saint Louis. The Swiss group's lawyers claim the sale is "fraudulent" and should be annulled because Perrier and Saint-Louis both knew that the Swiss company was about to launch a bid, and at a higher price.

Mr Gasztowtt said an inquiry by the Commission des Opérations de Bourse, the stock market watchdog, showed there was no proof that Mr Jacques Vincent, Perrier's chairman, knew about the impending Nestlé bid at the time, so the sale to Saint Louis was valid.

The case appeared to swing back in Nestlé's favour again when Mr Gasztowtt announced the police inquiry. The Paris court, which can choose whether to follow the prosecutor's recommendations, is to issue its judgement on March 16.

Nestlé's other case is in Nîmes, near Perrier's main plant in southern France, where it has challenged Exor's voting rights on its 35 per cent stake. The public prosecutor has advised the Nîmes court to reduce the voting rights of Exor and its allies to 20 per cent for two years. A decision is expected on March 6.

Record UK loan losses shrink NatWest results

By **Robert Peston** in London

RECORD losses on UK loans in 1991 led to a collapse in the profits of National Westminster, the UK clearing bank, to their lowest level since 1975.

As a result, the bank plans to cut staff numbers by at least 4,000 this year, having shed 6,400 jobs last year.

NatWest's pre-tax profits last year dropped 78 per cent to £110m ($192m) due to a bad debt charge of £1.99bn, which included losses on UK lending of £1.45bn, the biggest ever incurred by a UK bank.

The poor results – which meant that NatWest had to withdraw £220m from reserves to pay a maintained dividend of 17.5p a share – represent a sharp reversal in its fortunes. Only three years ago it made pre-tax profits of £1.41bn, more than any other UK bank before or since.

None the less its trading surplus in 1991 rose 20 per cent to a record £2.03bn, largely due to a sharp rise in commissions.

NatWest's bad debt charge meant that its UK financial services division – the heart of its business and including its 2,816 branches – made a loss, of £5m, for the first time.

Lord Alexander, chairman, said that there had been "some departures from the principles of sound lending".

Mr Tom Frost, who has been group chief executive since 1987 and retires next year, said it was bad banking practice to sack staff for making bad loans. Bankers "would not lend any money at all", if they feared their jobs were on the line for lending mistakes.

NatWest's losses to the Maxwell empire were lower than expected, at £50m, according to analysts.

Lex, Page 14
Background, Page 20

Rand Araskog talks to **Martin Dickson** and **Ian Hargreaves**

ITT changes image as it seeks riches

ITT, the US company which more than any other has symbolised the now unfashionable idea of conglomeracy, may be about to pull a dramatic curtain down on this era. But then again, just maybe it won't.

What is certain is that ITT's board is yet again considering ways to improve the lacklustre performance of its shares by making the company more appealing to investors.

And the options passing through the mind of Mr Rand Araskog, chairman for the past 11 years, include splitting the business into smaller and more clearly identifiable pieces.

"We want our company to be more exciting to the investment community than it is," Mr Araskog said earlier this month shortly before ITT reported a 15 per cent drop in 1991 income to $817m. He complains that its stock, just under $60, is undervalued by the market yet could trade at $80 or more "if we get a little perception change".

While carefully unspecific about his plans, he makes plain one theoretical option is to split off the group's financial services operations, dominated by the ITT Hartford insurance group, from its manufacturing businesses, which range from automotive and electronic components to pumps, valves and paper manufacturing.

ITT's Sheraton hotel group "could easily be a stand-alone company. Its major competitors – Marriott, Hilton, Trusthouse Forte – are all independent companies".

Certainly, financial services and insurance companies tend to attract lowly market ratings, which has probably helped to hold down ITT's price/earnings ratio.

And there are several precedents for such a move.

But in the case of ITT any split-up would be the end of an era.

In the 1970s the company came to symbolise the fashion for conglomeracy as Mr Harold Geneen, chairman, took it on an acquisition spree far beyond its roots in telecommunications equipment manufacturing.

His battle cry was "synergy", his weapon the agreed takeover, and for a while Wall Street loved it.

When Mr Araskog took over as chairman in 1980 he inherited a company which was unwieldy, unfocused, heavily in debt and, as Fortune magazine said, "a museum of the investment and management ideas of the 1960s".

He spent much of the 1980s sharply reducing its size and improving its financial shape by selling off dozens of industrial companies and cutting fat at the remainder – while fighting off a succession of corporate raiders keen to carve ITT up completely.

His most dramatic move was the much-lauded sale in 1986 of a majority stake in ITT's core telecommunications business to CGE of France, which merged it with its own operations to create Alcatel, the world's largest telecommunications equipment company.

ITT retains a 30 per cent stake in the company and Mr Araskog, also chairman of Alcatel, says he has resisted pressures to sell the remaining stake because of the "excellent cash flow from Alcatel".

The net result is a slimmer and financially sounder ITT, whose ambition is to be a market leader in each of its product areas.

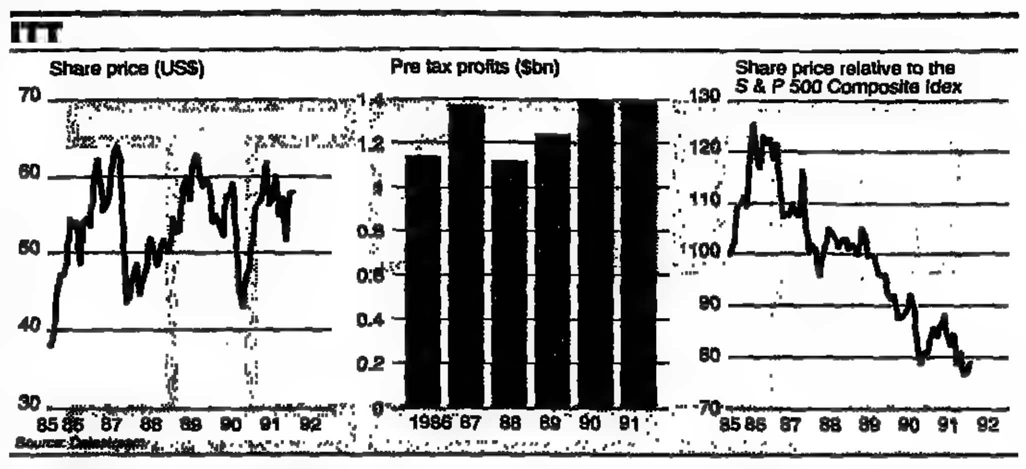
In spite of this, the group remains out of favour on Wall Street and among institutional investors.

This is partly because of the group's lacklustre profits performance over the past few years, when it has repeatedly failed to reach its declared goal of a 15 per cent return on shareholders' equity – in spite of a heavy programme of buying in its own shares.

Admittedly, many of its businesses are cyclical, and have been hit hard by the US recession. Last year's Gulf war knocked the hotels business sideways and the Hartford – well regarded for its conservative management and fast-growing life business – has had to grapple with a general downturn in the property/casualty sector.

But in spite of these external factors, some analysts question whether all its businesses are being run as hard as they might, and wonder about its strategic focus.

Nor was the group's image helped last year by a row with a leading institutional investor over the size (estimated at up to $11m) and percentage increase (100 per cent) of Mr Araskog's pay package when the group's financial results were so uninspiring.



Rand Araskog: prepared to surprise investors

In response to these pressures, ITT is introducing a new pay incentive scheme for 500 senior managers, which emphasises options and ties rewards to ITT's share price performance and the return on equity of its constituent businesses.

In the past, earnings per share was the prime yardstick.

The change is popular on Wall Street, where analysts argue that ITT's managers now have a powerful incentive to improve their financial performance.

"It may be a reason for management to really shake things up this time," says Mr Phua Young, of Wall Street's Lehman Brothers.

Mr Araskog, curiously, downplays the potential impact of the scheme.

"I basically believe most people want to do well. They want to work hard. They want to be a successful company. I think they expect to get paid, but I don't think handing candy all over the room does any good."

Nor does he yet seem committed to radical change in ITT's conglomerate nature; he is torn, not for the first time, between the big strategic move and a pragmatic, incremental approach to improving financial performance.

On the one hand, he says until now the board has believed the differing qualities of the group's component parts add up to a strong whole.

On the other, he acknowledges "there is very little synergy between the service companies and manufacturing".

But with the financial flexibility of ITT's strong balance sheet he does hold out the possibility of a string of new deals, be they acquisitions or joint ventures.

Just last week, for example, Sheraton agreed to buy or lease eight hotels from rival Marriott.

Certainly, Mr Araskog showed canny timing with his string of deals in the mid-1980s, which the 60-year-old chairman eagerly recalls in some detail when asked to summarise ITT's strategic shifts in the past decade.

But the question which has hung over ITT since the Alcatel deal remains as central today as five years ago: can Mr Araskog, together with two lieutenants fighting to succeed him – Mr Travis Engen on the manufacturing side and Mr Dale Comey at financial services – grow profits as well as his company's long record in cutting a deal? The answer should emerge over the next two years as the US recession ends and the new management pay scheme goes into effect. But the immediate challenge Mr Araskog perceives is to boost the share price.

The aim, he says, is "to make the company more identifiable, and if that means doing things that are a little bit surprising . . . then I'm prepared to do that".

Unilever cautious despite rise in profits to £1.8bn

By **Guy de Jonquières**, Consumer Industries Editor, in London

UNILEVER, the Anglo-Dutch food and consumer products group, yesterday reported a £10m increase in full-year pre-tax profits to £1.79bn ($3.13bn) after seeing an 8 per cent rise in the fourth-quarter to £473m.

In spite of the improved final quarter figure, which compares with £438m a year ago, Sir Michael Angus, chairman, was cautious about immediate prospects: "It is difficult to predict the outlook for 1992 at a time when so many forecasts of recovery appear to have been premature."

Sir Michael said Unilever had shown resilience in difficult economic conditions in some of its main markets.

Though volumes on industrial businesses had declined, consumer operations had continued to grow, thanks in part to rapid introduction of new products.

The Gulf War and turmoil in the Soviet Union had cost the group sales and profits, while its performance in the US and Britain had been held back by the persistence of a recession which had proved longer and harsher than expected.

While economic conditions in the US were not worsening, there was no evidence they were improving.

Sales rose 2 per cent in the full year to £23.16bn against £22.73bn, and 5 per cent in the fourth quarter to £6.19bn compared with £5.9bn. Operating margins during the year fell to 8.6 per cent from 9 per cent, due to currency movements and smaller exceptional gains than in 1990. The group incurred restructuring charges of £70m during the year.

Cash flow was strengthened by tighter control over working capital, which reduced net borrowings during the year to £1.5bn from £1.9bn and cut net interest cost to £276m from £328m.

In Europe, full-year operating profit rose to £1.24bn from £1.23bn on sales of £13.76bn against £13.64bn. In North America volumes were static and operating profit fell to £336m from £364m on sales of £4.77bn up from £4.63bn.

Currency movements led to a drop in operating profits in the rest of the world to £420m from £455m on sales of £4.6bn compared with £4.46bn.

Full-year earnings per share increased 4 per cent to 61.62p (59.52p). The final dividend is raised to 13.91p (13.3p), bringing the total to 18.94p (18.16p).

Background, Page 21
Lex, Page 14
Observer, Page 12

Elf buys African assets from BP

By **William Dawkins** in Paris

ELF Aquitaine, the acquisition-hungry French oil group, has bought British Petroleum's refining and marketing businesses in West Africa and Tunisia, significantly boosting its position in the region.

The businesses include more than 650 service stations in 12 West African countries, representing 14 per cent of the regional market, and three refineries in Gabon, the Ivory Coast and Senegal.

The deal is the latest move in the strategy of Mr Loïk Le Floch-Prigent, Elf chairman, for increasing the company's downstream activities across the world, and so lessening its perceived over-dependence on exploration and production. It reaffirms Elf's plans to "reinforce its increasing balance between production and distribution activities", said Elf, which is not disclosing the price.

Elf already has substantial exploration and production interests in Africa: it is active in Gabon, Angola, Cameroon, Congo, Niger, Nigeria and Tunisia. It is less strong in marketing in Africa, with 110 service stations in Nigeria, representing 5 per cent of that country's market. However, it has interests in refineries in six countries in the region.

The French company approached BP, which agreed to sell as part of its policy of focusing on what it considers to be strategic markets. The British oil group said yesterday it did not think the West African assets could be built into a core business.

The price was not material, the company said, and analysts have estimated it at between £20m ($35m) and £30m.

Over the past year, Elf has acquired refineries and service stations in Britain, Spain and most recently Germany, where in January it bought Minol, the former East German service station monopoly.

The group has also been active in developing its upstream activities. It bought 48m tonnes of proven reserves last year, which along with 41m tonnes of discoveries lifted total reserves by 13.6 per cent to 475m tonnes.

For the first time, last year's operating profits – FFr19bn ($3.39bn), down from FFr20bn in 1990 – were equally split between the upstream and downstream businesses. Three years ago, upstream businesses provided two-thirds of operating earnings.

Lonrho may negotiate an early end to VAG deal

By Roland Rudd in London

LONRHO, the international trading conglomerate, may negotiate an early end to its Volkswagen/Audi import and distribution operations in the UK which accounts for more than one-fifth of its worldwide turnover.

The group, which is understood to be pessimistic about the future of all non-Japanese car sales in the UK, believes it may be in its interest to negotiate an early end to the contract, which is not due to expire until the end of 1993.

Seven years ago the pre-tax profit forecasts for 1990 for the business operated by VAG, a Lonrho subsidiary, were around £60m ($105m). However, last year taxable profits fell by 11 per cent to £20m from £22.6m a year earlier.

The alternative being considered is to negotiate an early end to the contract this year which could be worth £160m: assets are valued at £100m and compensation for an early cessation of the contract could be worth another £60m. If this happened, Lonrho would be likely to take the extra £60m above the line, boosting this year's overall pre-tax profits.

While the extra UK profits would help mitigate this year's problems over advance corporation tax (ACT), in the long term the loss of the UK business would be likely to add to them. Its 1990 accounts show that there was £79m of unused ACT because the group does not make sufficient profits to offset fully against ACT.

VAG's pre-tax profits accounted for almost 10 per cent of Lonrho's total pre-tax profits of £207m in the year to September 1990.

Mr Charles Pick, conglomerate analyst at Nomura, said: "The group are indicating that change may not necessarily be a bad thing if it comes, especially if VAG's future profits are impaired by the rising market share of Japanese trans-plant product in the UK new car market."

The news that Lonrho is considering negotiating an early end to the Volkswagen/Audi import and distribution operations in the UK may fuel speculation the German car-maker planned to take control of the business at the end of 1993.

VW, the leading European car-maker, is keen to control distribution in all five European large volume markets. In recent years, it has added ownership of the Spanish and Italian operations to its control in Germany and France.

Lonrho is adamant it has not been told Volkswagen wants to take control of the business operated by VAG and it may still renew the contract in 1993.

ECC plans to raise £209m from rights issue

By Andrew Taylor in London

ECC Group, the world's largest supplier of china clay, yesterday announced plans to raise £209m ($363.3m) from a rights issue. The money is to be used by ECC to redeem $350m of US auction market preferred shares (Amps).

The group is the second British company to announce plans to redeem a large tranche of Amps. The move will increase nervousness in a controversial sector of the bond market.

Several large UK companies, some of which are heavily borrowed and have fallen on hard times due to the recession, have issued Amps. The stock has been classified as equity although the shares have many characteristics of debt.

Some of the issues made by UK companies during the late 1980s have run into trouble recently. Ratner, the UK jewellery retailer, last month announced it was suspending payments of all preference dividends including those on $250m of Amps. Previous auctions of Ratner preferred shares in the US had failed to attract bidders.

Mr Andrew Teare, ECC's chief executive, said yesterday there was no danger of ECC's credit rating being downgraded. Nonetheless, general concern about the Amps market had pushed dividends above the cost of other forms of US commercial paper.

"The directors have come to the view that auction preference shares are no longer a satisfactory long-term source of shareholders funds and that permanent ordinary share capital is a more secure platform for further development of the group."

The company is offering six of its shares, priced at 415p each, for every 25 already held.

The group also announced pre-tax profits for year to end-December were estimated to be £115.4m, more than 50 per cent higher that the £73.3m earned in 1990. Excluding exceptional items the rise was 7.5 per cent.

GM's European operations slip 8%

By Kevin Done, Motor Industry Correspondent

THE NET profit of the European operations of General Motors, the world's largest vehicle maker, fell last year by 7.9 per cent to $1.76bn from a record $1.92bn in 1990.

Despite the modest decline, GM was probably still the most profitable of the big six volume car-makers in Europe last year, with a 7 per cent net profit margin.

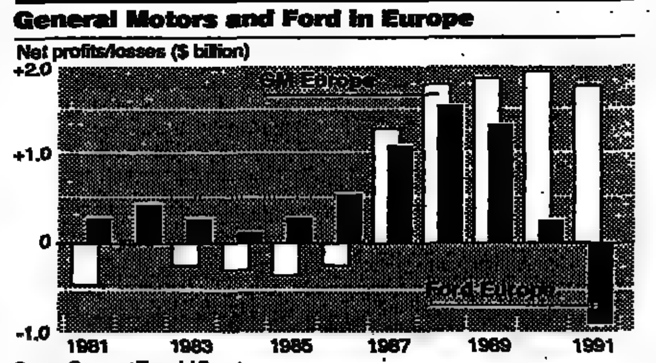
The profits of GM's European operations are a stark contrast to the record losses suffered by the group in the US last year, which totalled $7.087bn including a $1.777bn special restructuring provision.

The European profits provided a partial cushion for the US losses, but could not prevent the group suffering an overall loss of $4.5bn, the largest annual loss ever recorded by a US company.

It is understood the net profits of GM Europe's core Opel/Vauxhall car and light commercial vehicle operations rose marginally last year to a record $1.96bn, despite the launch costs for its new generation Astra small family car, GM's best-selling car in Europe.

The overall GM Europe profit of $1.76bn contrasts sharply with the net loss of $961m announced earlier this month by Ford, its domestic rival, for its European operations.

General Motors and Ford in Europe



Source: Company Financial Reports

While GM's European profits have totalled more than $1.75bn in each of the last four years, Ford has suffered a steep decline from a net profit of $1.56bn in 1988, to a net loss of $961m last year.

Ford's European automotive operations accumulated a net loss of $1.079bn last year, which was partially offset by a net profit of $118m achieved by its financial services in Europe.

While GM's core Opel/Vauxhall operations achieved a $1.96bn net profit in Europe, the group's overall profit in Europe was reduced to $1.76bn by several factors including:

● Its share of losses at Saab Automobile, the Swedish car-maker where GM holds a 50 per cent stake and management control.

Saab Automobile had a loss after financial items of SKr2.243bn ($375m), compared with a loss of SKr3.25bn a year earlier.

● The continuing losses suffered by Group Lotus, the specialist UK sports car-maker and automotive engineering consultant;

● Its share of losses at Avis Europe, the car leasing and rental group;

● Reduced profits at its GMAC financial services operations, and losses at the GM Hughes Electronics subsidiary in Europe.

GM's European turnover rose 3.8 per cent to $25.36bn from $24.4bn a year earlier, while its workforce in Europe increased slightly to 128,000 from 127,000 in 1990.

Both GM and Ford claimed record sales volumes in western Europe last year.

GM said its Opel/Vauxhall car sales in western Europe (Opel in continental Europe and Vauxhall in the UK) rose marginally to a record 1.56m from 1.55m a year earlier. Ford said its western European car sales totalled 1.58m, some 2 per cent higher than the previous peak set in 1989.

Most importantly, Opel captured a 17.2 per cent share of last year's booming German market, with sales in Germany of 717,100.

In the UK, Vauxhall's sales fell 23 per cent to 248,704, while its UK market share was reduced to 15.6 per cent from 16.1 per cent a year earlier.

Overall in western Europe, GM claimed a record car market share for its Opel/Vauxhall marques of 11.6 per cent marginally higher than the 11.5 per cent that was achieved a year earlier.

GM is forecasting sales of 700,000 for its new generation Astra range this year, with combined sales and new orders of 400,000 since its launch in mid-October last year.

Strong exports help EdF advance

By William Dawkins

ELECTRICITE de France (EdF), the power utility which is western Europe's largest energy exporter, yesterday reported a steep rise in profits.

Net earnings at EdF rose from FFr100m ($17.8m) in 1990 to FFr1.9bn last year, before a FFr600m levy collected by its government owner, on turnover up by 9.6 per cent from FFr156.5bn to FFr171.4bn.

Mr Pierre Delaporte, president, attributed the improvement to a strong rise in demand for EdF electricity from Britain and Germany, with a steady rise in French domestic sales. He expected FFr2bn of profits this year.

There was also a fall in debt charges as EdF used its cash flow to reduce the huge borrowings accumulated during its ambitious nuclear power station programme of the past 20 years. Nuclear plant accounted for 77 per cent of EdF output last year, making France the world's most nuclear dependent country.

Export sales rose by 18 per cent to FFr12bn, representing 53.4bn kilowatt hours (kWh) out of total output of 406.5 kWh. Within this, British demand rose by 42 per cent to 16.8bn kWh, seen as a mark of the disorganisation of its own electricity industry and making it by far EdF's largest export customer.

EdF has been criticised for having surplus nuclear capacity. But, the continuing rise in sales should bring demand in line with capacity by 1996, said Mr Jean Bergougnoux, managing director.

Debts fell by FFr12bn per cent over the year to FFr214bn and should fall below FFr200bn by the end of 1992, said Mr Delaporte.

Heavy credit losses put SEB in reverse

By Robert Taylor in Stockholm

SKANDINAVISKA Enskilda Banken, Sweden's largest commercial bank, reported a 29.8 per cent fall in operating profits to SKr2.32bn ($393m) for 1991 after heavy credit losses.

If the credit losses were excluded from the results, SEB said it would have lifted profits by SKr1.625bn to SKr7.86bn.

SEB's rate of return on equity after tax was 7.5 per cent last year, down from 11.8 per cent in 1990, while earnings per share dropped to SKr4.50 from SKr7.61. The dividend for series A and C shares is rising to SKr3.35 from SKr3.30 within the framework of an unchanged dividend cost to the company of SKr883m.

Credit losses were SKr4.76bn last year, 1.5 per cent of all loans and a 144 per cent increase over the SKr1.95bn of 1990. Year-end unsettled claims were SKr5.5bn.

Management crisis at Porsche averted

By John Griffiths

THE emergency meeting of the supervisory board of Porsche yesterday succumbed to an ultimatum from Mr Arno Bohn, the company's chief executive, and agreed "unanimously" to extend his contract for another three years.

The board's vote appears to defuse an immediate management crisis at the German sports car-maker. Mr Bohn had threatened to resign unless the board, some of whose members had previously offered his job to a senior BMW executive, gave him a vote of confidence this week.

However, some industry observers last night expressed the belief that the apparent boardroom climb-down could not wholly repair the damage done to Mr Bohn's relationship with the board by a series of events over the past fortnight.

The crisis was triggered by the offer of his job to Dr Wolfgang Reitzle, research and development director of executive BMW. the executive car-maker. It is understood this offer was made by Dr Ferdinand Porsche, chairman of the Porsche supervisory board.

Subsequently, a regular meeting of the Porsche supervisory board last week failed to muster the two-thirds majority needed to endorse the extension of Mr Bohn's existing contract after it runs out at the end of this year.

Almost immediately afterwards, Dr Reitzle, who is seen as heir-apparent to BMW's 63-year-old management board chairman, Dr Eberhard von Kuenheim, said he had decided not to take up Porsche's offer.

Mr Bohn described the board's actions as "damaging" for the company and said he would "not be available for reappointment" if the board did not give him unqualified backing".

The company last night offered a "no comment" to question's about the long-term implications of the dispute for Porsche's management.

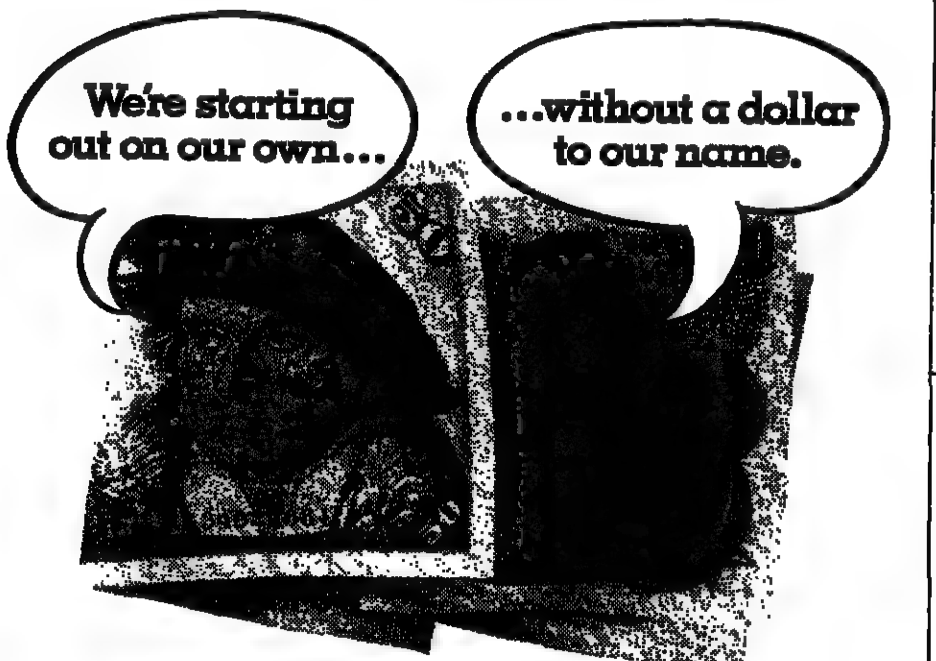
The dispute has come at a bad time for Porsche, whose worldwide sales have fallen sharply. Some 4,000 workers are on short time, following a fall in 1991 sales to 26,200 – 4,000 fewer than in 1990 – and little more than half the 50,000 vehicles sold in Porsche's peak year of 1986.

Consortium may acquire 49% Noverco stake

A CONSORTIUM made up of Tractebel, the Belgian energy distributor, and Total, the French integrated oil and gas company, is negotiating to buy a 49 per cent interest in Noverco, the Quebec natural gas distributor, held by two Quebec government agencies, writes Robert Gibbens in Montreal.

The 49 per cent stake has been for sale for over a year. The two Quebec agencies, the Caisse de Depot, the public pension plan's investment arm, and Soquip, the provincial energy agency, bought the Noverco block from a Quebec entrepreneur for almost C$300m (US$272.7m).

Tractebel and Total may seek a full 50 per cent.



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London EC1A 4NP Tel: 071-929 2366 Fax: 071-626 0851

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TO THE HOLDERS OF WARRANTS TO SUBSCRIBE FOR SHARES OF COMMON STOCK OF

MARUDAI FOOD CO., LTD.
(the "Company")

issued in conjunction with the issue by the Company of U.S.$100,000,000 5¹/₈ per cent. Bonds 1992 with Warrants

NOTICE OF ADJUSTMENT OF SUBSCRIPTION PRICE

Pursuant to Clauses 3 and 4 of the Instrument dated 6th October, 1988 under which the above described Warrants were issued; notice is hereby given that as a result of the issuance of DM150,000,000 4³/₄% Deutsche Mark Bonds of 1992/1996 with Warrants of the Company on 13th February, 1992 with an initial subscription price per share of ¥955, being less than the current market price per share, the Subscription Price of the above described Warrants has been adjusted in accordance with Clause 3 of the Instrument with effect from 13th February, 1992, as follows:

Subscription Price before adjustment: Yen 1,230.00
Subscription Price after adjustment: Yen 1,217.30

MARUDAI FOOD CO., LTD.
By: The Sumitomo Bank, Limited as Principal Paying Agent

Dated: ..th February, 1992

WERELDHAVE

Wereldhave N.V.

(Investment company with variable capital, incorporated in the Netherlands)
23 Nassaulaan, 2514 JT The Hague
(The Netherlands)

The Board of Management of Wereldhave N.V. (formerly N.V. Beleggingsmaatschappij Wereldhave) announce that the existing "K" and "CF" bearer certificates should be exchanged for new certificates which are obtainable in denominations of 1, 5, 25, 50, 500 and 5,000 shares of Dfl. 20 each.

Existing certificates should be lodged for exchange in the Netherlands with Pierson, Heldring & Pierson N.V., Kempen & Co. N.V., Rabobank Nederland, ABN AMRO Bank N.V., Bank Mees & Hope NV or Credit Lyonnais Bank Nederland N.V. and in the United Kingdom with Morgan Grenfell & Co. Limited, 23 Great Winchester Street, London EC2P 2AX.

The Hague, February 26, 1992
Board of Management

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.02	17.16	17.18
0100	[illegible]	17.20	17.20
0130	17.05	17.22	17.22
0200	17.05	17.89	20.02
0230	17.04	17.20	17.20
0300	17.04	17.19	17.19
0330	17.04	17.16	[illegible]
0400	17.02	17.16	17.16
0430	17.02	17.14	17.14
0500	[illegible]	17.14	[illegible]
0530	17.05	17.19	17.19
0600	17.05	17.19	17.19
0630	17.05	17.19	17.19
[illegible]	17.09	17.47	17.47
0730	17.59	20.43	22.90
0800	17.60	22.76	25.38
0830	17.72	23.01	25.65
0900	18.44	23.61	26.43
0930	18.48	24.07	[illegible]
1000	18.49	24.39	27.36
1030	18.49	24.14	27.05
1100	18.49	23.63	25.67
1130	20.07	23.73	25.55
1200	20.07	23.54	26.32
1230	20.07	23.16	25.85
1300	18.48	21.62	24.16
1330	18.48	21.00	23.44
1400	18.48	20.60	23.02
1430	17.94	18.08	21.44
1500	18.44	19.05	[illegible]
1530	17.39	17.55	[illegible]
1600	18.48	19.06	21.45
1630	17.94	21.69	24.64
1700	18.49	60.11	71.24
1730	18.90	78.10	89.58
1800	29.55	77.78	88.51
1830	29.98	46.34	51.22
1900	29.92	27.73	30.97
1930	20.22	25.53	28.29
2000	20.18	22.29	24.81
2030	18.82	20.78	23.30
2100	17.72	19.07	21.44
2130	17.60	19.04	21.40
2200	17.09	18.91	21.27
2230	17.05	17.46	17.46
2300	17.05	17.20	17.20
2330	17.03	17.18	17.18
2400	17.03	17.13	17.13

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Standard Chartered

Standard Chartered PLC
(Incorporated with limited liability in England)

£150 million Subordinated Floating Rate Notes due 1996

In accordance with the provisions of the Notes, notice is hereby given that for the three month period from 24th February 1992 to 26th May 1992 the Notes will bear interest at the rate of 10.4125 per cent per annum.

Interest per £5,000 Note will amount to £130.87 and will be paid for value 24th May 1992 against surrender of Coupon No 24.

Chartered WestLB Limited
Agent Bank

Notice of Redemption
Den norske Bank AS
(formerly Bergen Bank A/S)
Yen 3,000,000,000 7.3 per cent Notes due 1994

NOTICE IS HEREBY GIVEN pursuant to Condition 6(c) of the terms and conditions of the above-mentioned Notes, that Den norske Bank AS, formerly known as Bergen Bank A/S, (the "Bank") has elected to redeem on 3rd April 1992 (the "Redemption Date") all of its outstanding YEN 3,000,000,000 7.3 per cent Notes due 1994 at their redemption amount. This will be calculated by The Industrial Bank of Japan, Limited, as Calculation Agent on or after 19th March, 1992.

The Notes should be presented and surrendered to the paying agents (as shown on the reverse of the Notes) on the Redemption Date.

26th February 1992
By: Citibank, N.A. (CSSI Dept)
London Principal Paying Agent
CITIBANK

COMMERCIAL UNION PRIVILEGE PORTFOLIO, SICAV
1a, rue Pierre d'Aspelt
L-2016 LUXEMBOURG
R.C. Luxembourg No. B32640

DIVIDEND ANNOUNCEMENT

Commercial Union Privilege Portfolio announces dividends in respect of the following funds payable on 28th February 1992.

Sterling Reserve Fund	£	0.0674	per share
US Dollar Reserve Fund	USD	[illegible]	per share
Deutschemark Reserve Fund	DEM	0.3703	per share
Yen Reserve Fund	JPY	17.8	per share
Peseta Bond Fund	ESP	20.0	per share

Dividends are payable to holders of bearer shares against presentation of coupon No.3 to:

TSB PRIVATE BANK INTERNATIONAL S.A.
1am rue Pierre d'Aspelt
P.O. Box 635
L-2016 LUXEMBOURG

The Board of Directors

هكذا من الأصل

Murdoch takes command at Fox

By Alan Friedman in New York

MR RUPERT MURDOCH is to assume direct management responsibility for Fox, the Hollywood studio and television network, following the resignation of Mr Barry Diller, chairman and chief executive since 1984.

The resignation, which Mr Diller insisted was amicable, caught the US entertainment industry by surprise.

Mr Diller, 50, one of the leading executives in Hollywood, has successfully built the Fox Television Network, the fourth US national network and one that boasts hits such as The Simpsons. He has also created Fox Broadcasting, which delivers five nights of prime-time programming to 131 US television stations.

Several entertainment industry insiders expressed scepticism about whether Mr Murdoch – whose News Corporation interests include newspapers, magazines and publishing as well as film and television – would actually assume a hands-on role at Fox.

Although Mr Murdoch has made Los Angeles one of his main residences, running a Hollywood studio is considered by Wall Street analysts an unlikely role for the Australian-born tycoon.

Although Mr Diller said he and Mr Murdoch had no disagreements, the departing chairman did say he had told Mr Murdoch of his desire to own an equity stake in Fox. This was not possible, Mr Diller said, since Fox was wholly-owned by News Corporation.

Mr Diller said he had yearned "to have my own company in whatever shape or size I am comfortable or capable of creating or acquiring".

Speculation on Wall Street centred on whether Mr Diller might seek to put together a company to make a bid to acquire NBC Television from General Electric.

Another possibility raised by analysts was that Mr Diller might join forces with Mr David Geffen, the record and film industry mogul, to launch a new venture. Mr Diller described this as speculation, but added: "David Geffen is my friend. Who knows?"

News Corporation does not provide detailed figures for Fox, but the group's last results showed A$124.38m (US$93.5m) of operating income from television and A$67.7m from filmed entertainment divisions, in the six-month period to December 31.

Twentieth Century Fox, the film studio, is expected by analysts to earn operating income of around US$150m in the financial year to June 30, while forecasts for Fox TV stations call for operating income of around US$160m in the same period.

The Fox Broadcasting division is expected to earn between US$40m and US$50m in the financial year to June.

Court ruling fails to defuse chip war

Louise Kehoe on implications of the Intel-AMD technology decision

A FIVE-YEAR arbitration battle between rival Silicon Valley chip-makers Intel and Advanced Micro Devices has resulted in a decision that appears unlikely to end bitter disputes over AMD's rights to manufacture Intel-designed microprocessor chips.

The dispute focused on the 386, the chip at the heart of current-generation IBM-compatible personal computers. Until last year, Intel was the sole supplier of the 386.

However, in April AMD launched its own "reverse-engineered" clone of the microprocessor, and has since won a 30 per cent share of the market.

In his decision, the arbitrator awarded AMD a "permanent, royalty-free, non-exclusive, non-transferable worldwide right" to any Intel technology that may be incorporated in AMD's reverse-engineered version of the 386.

He found that Intel had breached a 1982 technology-sharing pact with AMD, under which the companies agreed to swap microprocessor and related product designs.

AMD was also awarded nominal damages of $15m in connection with disputes over earlier versions of the chips. Intel, however, will be allowed to keep $23m in disputed royalty *payments made by AMD*.

Commenting on Intel's conduct, the arbitrator said he would have awarded punitive damages against Intel if they *were within his powers*. He would also like to have been able to transfer a portion of Intel's 386 revenues to AMD.

Open to interpretation: Andrew Grove (left) says the decision changes little; W. J. Sanders sees justice done

The arbitrator found that the damages to AMD from Intel's violation of the covenant of good faith and fair dealing were "immeasurable", and that he felt unable to "even out the balance" entirely.

The arbitrator, a retired California judge, said his decision was aimed at "aborting the incessant warfare which has gone on between these two companies for the past five years".

He said: "I intend that AMD be permitted to go forward in its production and sale of the AMD reverse-engineered 386 *without harassment from Intel* from any further law suit.

"*After five years, it is now* the end of the day . . . the parties have had a full and fair *hearing. Now it is time to go* home."

However, Intel immediately said it would oppose enforcement of the portions of the decision relating to the 386, and that it expected to continue to fight AMD in the courts. One of several pending lawsuits between the companies is expected to go to trial next month.

A new round of legal battles appears likely when AMD introduces its own version of the next-generation 486 microprocessor, which was specifically excluded from the arbitration decision.

"The *remarkable thing is* how little real impact this decision will have on either company," said Mr Andrew Grove, Intel president and chief executive.

"We keep the Intel 386 chip and they keep selling their imi*tation of it. The only thing new* is that the arbitrator sprinkled holy water on their chip and has given them additional defences to help them fight us in court. Financially, the decision is also a non-event."

Not surprisingly, AMD took a different view of the decision. "Justice has been done," said Mr W. J. Sanders, AMD chairman and chief executive.

"AMD now has the unfettered, royalty-free rights to manufacture and sell the 386 microprocessor. All past and future 386 revenues and profits are no longer under any cloud of legal uncertainty."

Computer-makers have welcomed AMD's entry into the 386 market. Competition between the two companies has forced Intel to lower its prices, fuelling a rapid decline in personal computer prices that is boosting sales of computers and computer software.

With both Intel and AMD hailing the decision as a victory, there is, however, widespread confusion within the industry over what the decision means.

Both companies can be expected to attempt to use the ruling to gain market advantage.

Wall Street analysts, many of whom had anticipated a much larger monetary award, said Intel got off lightly with an award much smaller than the $2.2bn AMD was seeking.

Since its introduction of the 386 clone, AMD has posted record sales. For 1991, the company reported revenues of $1.bn and *profits of $145.3m*, while Intel also unveiled record revenues last year of $4.78bn and $819m in profits.

Sasol lifts earnings by 14% to R533.4m

By Philip Gawith in Johannesburg

SASOL, the South African synthetic fuel and chemicals producer, overcame depressed market conditions to lift earnings 14.7 per cent to R533.4m ($186.4m) in the six months to the end of December.

Turnover dropped slightly, to R3.96bn from R4bn, as a result of generally lower prices.

Operating income was 11 per cent down, at R868.8m, reflecting depressed margins, but this was more than compensated for by lower interest and a lower effective tax rate. Attributable earnings rose by 14.7 per cent to R533.4m.

Mr Paul Kruger, managing director, said the synthetic fuel division had managed to offset cost increases, lower product prices and lower refining margins by substantially increasing production volumes.

The division will account for about 40 per cent of operating profit in the current year.

Mr Kruger said the production increase resulted from better operating efficiencies. The impact of the lower international petroleum product prices was softened by a weaker rand/dollar exchange rate.

The dividend was lifted to 36.5 cents a share from 32.5 cents.

Suntory reports sharp decline

SUNTORY, the Japanese beverage company, yesterday reported a sharp fall in earnings for the year to December 1991, writes Emiko Terazono.

Suntory said that non-consolidated results had fallen 24.1 per cent from the previous year to Y10.9bn due to sluggish sales of its wine and beer divisions and growing costs for funds procurement.

Overall sales edged up 0.5 per cent to Y800.1bn. Beer sales, accounting for 25.9 per cent of the total while distilled liquor represented 52.3 per cent of overall sales.

TNT slips to A$51m loss as airline price war intensifies

By Kevin Brown in Sydney

TNT, the Australian transport group, yesterday blamed recession and stiff competition for a net equity accounted loss of A$46m ($34.50m) in the six months to December, compared with a profit of A$49m last time.

The loss increased to A$51m after taking account of abnormal items, mainly provisions for diminution in the value of non-current assets and unrealised foreign currency translation adjustments. Equity-accounted revenue increased 2.5 per cent to A$2.5bn.

TNT said it had been hit by freight transport problems in Australia and South America, and heavy losses in the domestic airline operations, jointly-owned with News Corporation, Mr Rupert Murdoch's media group.

Analysts had expected a substantially smaller interim loss following a loss of A$115,000 in the first three months, but the group appears to have been badly hit by price-cutting in the Australian aviation market.

Ansett Transport Industries, which operates one of Australia's two main domestic airlines, contributed a loss of A$25.5m after abnormal items, compared with a loss of A$7.3m in the earlier period. Moraei, which operates the smaller Eastwest Airlines, contributed a net loss of A$18m, compared with A$5.3m a year earlier.

The group said it expected an improvement in the results of its wholly-owned businesses if economic conditions improve as expected in its main markets. However, the directors warned that the aviation businesses would have a "difficult" third quarter because of continuing uncertainty in Australia.

Price-cutting pressure eased following the collapse of Compass, a small independent airline, but is likely to increase if Compass or another small airline returns to the market, as seems likely. The federal government is also expected to announce today that Qantas and Air New Zealand are to be given rights to fly on domestic routes in Australia.

On a positive note, the directors said the flotation of 70.4 per cent of TNT Freightways, the group's US trucking business, had been completed. The A$400m proceeds of the flotation will enable TNT to further reduce debt, which fell from A$3.7bn to A$3.5bn during the period. Interest expense declined from A$110m to A$98m.

The group also said it expected to complete a joint venture arrangement with five European post offices during the current quarter.

TNT announced recently it has reached agreement with *Federal Express*, the US freight carrier, to co-load express freight on daily transatlantic flights. Both initiatives are expected to help reduce the *costs of TNT's European* express freight network.

TNT said the world recession had reduced revenue growth in most of the countries in which it operates. Revenue was flat in the UK, and lower in Australia, Canada and South America.

Setback for electronics groups

By Emiko Terazono in Tokyo

THREE leading Japanese electronics groups yesterday announced sharp downward revisions in profit forecasts for the current year ending March.

Matsushita Electric Industrial, Hitachi, and Oki Electric Industry became the latest companies to issue warnings of lower earnings due to a worsening market for semiconductors, computers, communication equipment and consumer electronics products.

The announcements follow the spate of downward earnings revisions by other large Japanese companies such as NEC and Fujitsu. Sony, the consumer electronics and entertainment group, said last week its parent company would post a full-year operating loss for the first time since it was listed on the Tokyo Stock Exchange in 1958.

Japanese electronics-makers have suffered from falling semiconductor prices, especially of the 4 megabyte D-Ram chip. Intensifying competition in the computer market has squeezed profits from the US and European markets.

In Japan, the stock market slump has prompted financial institutions and brokers to cut back or postpone investments in computer network systems. The strength of the yen against the dollar has also contributed to the fall in profits.

Matsushita said consolidated pre-tax profits for the year to March would fall 43 per cent from a year ago, to Y340bn ($2.65bn), 26.5 per cent lower than it forecast three months ago.

Overall sales were revised downward to a 12 per cent rise to Y7,360bn, down from a 14 per cent increase, and after-tax profits are expected to decline a year-on-year 49 per cent to Y130bn.

Matsushita said its financial balance sheet would deteriorate due to a decline in funds *for management due to the* squeeze on profits. It expected a foreign exchange loss of Y60bn, and added that depreciation costs for MCA would total some Y20bn.

The company also released dismal third-quarter results. Consolidated pre-tax profits fell 32 per cent to Y125bn on a 12 per cent rise in sales to Y2,005bn. After-tax profits fell 38 per cent to Y62.4bn.

Hitachi, announcing its second downward revision for the current year, projected a 37 per cent decline in consolidated pre-tax profits to Y355bn. The company expected sales to remain flat at Y7,700bn.

Oki Electric Industry said it was hard hit by sluggish demand from banks and securities houses for its information processing equipment, the company's main product. Oki said a sharp fall in domestic demand had hurt its profitability.

The company forecasted a 91.1 per cent drop in consolidated pre-tax profits to Y2bn, on a 1.4 per cent rise in sales to Y670bn. After-tax profits are expected to plunge 95 per cent to Y500m.

Dull final quarter at large US store chains

By Nikki Tait in New York

TWO LARGE US department store chains, Arkansas-based *Dillard's* and *May Department* Stores, unveiled earnings figures yesterday which provided further evidence of a dull final quarter in the retail sector.

May, which operates 318 department stores and almost 3,300 Payless ShoeSource outlets, *said after-tax profits* in the 13 weeks to February 1 rose only modestly, from $252m a year ago to $266m.

Sales in the important fourth *quarter rose from* $3.28bn to $3.36bn, but on a same-store basis there was an overall 0.5 *per cent drop*, reflecting a 0.7 per cent fall in the department store division and a 1.5 per cent gain on the shoe store side.

For the year, May saw net profits of $515m, against $500m in 1990-91, on sales of $10.4bn, against $9.86bn. Its shares gained ⅛ at $57⅛.

May, which opened 14 department stores and 328 Payless outlets last year, said it planned to add six department stores and 270 Payless units in *the current 12 months*.

At Dillard's, which owns 198 department stores, mainly in the midwest and south-west, after-tax profits in the fourth quarter totalled $93.3m, against $92.3m. Sales reached $1.32bn against $1.22bn, but same-store sales rose a modest 2 per cent.

For the year overall, sales rose 12 *per cent to $4.07bn*, with comparable-store advancing by half this amount. Net profits for the period were $206.2m against $182.8m.

The drab figures follow news of a fourth-quarter profits fall at Nordstrom, the Seattle-based fashion store chain.

Deere & Co reduces shortfall

By Barbara Durr in Chicago

DEERE & Co, the US heavy equipment-maker, managed to *reduce first-quarter losses*, thanks largely to improved prices and greater efficiency.

The company suffered a net loss of $19.9m, or 26 cents a share, in its 1992 first quarter, ended January 31, compared with a loss of $43.1m, or 57 *cents, in the same period a* year ago.

Worldwide production was the same as last year's during the first quarter, but net sales rose to $1.45bn from $1.43bn last year.

Mr Hans Becherer, chairman, said first-quarter results were affected by continued *weak demand and efforts* to reduce company and dealers' inventories. But heavy dis*counting to improve sales has* moderated.

Lawn and grounds care equipment sales and production were higher, while *agricultural equipment* volumes were down in the first quarter.

Prospects for the rest of 1992 are uncertain due to the recession and low customer confidence. While the North American agricultural market would appear to be poised for an upturn, farmers' buying atti*tudes still seem cautious*, the company said.

Retail demand in overseas *markets* is expected to decline in 1992, reflecting European farmers' concern with the Gatt negotiations.

Deere has consequently *reduced its scheduled produc*tion tonnage this year by about 5 per cent compared with that of 1991. Deere's lower production levels are expected to result in further reductions in dealer and company inventories.

Pioneer profits reach record A$90m

By Kevin Brown

PIONEER, the Australian building products and petroleum group, has reported record net profits of A$90m ($67.60m) after abnormal items for the six months to December, *a rise of* 2.4 per cent on the corresponding period last year.

The result included an abnormal profit of A$37m on the sale of its holding in Ampol *Exploration*, an Australian petroleum company. However, the abnormal profit was offset by a provision of A$40m against the book value of US assets, which was also treated as an abnormal item.

Pioneer said it had restated profits for both periods to exclude contributions from Ampol Exploration, the sale of which was completed for accounting purposes in July. The group said sales revenue fell 13 per cent to A$2.5bn.

Revenue from building materials was down 2 per cent to A$1.2bn, primarily because of weakness in Australian markets.

Petroleum refining and marketing operations revenue fell 17 per cent to A$1.3bn, principally reflecting a fall in crude oil prices at the end of the Gulf war.

Directors declared an interim dividend of 7.5 cents a share, unfranked because of available tax losses incurred in previous years.

Moody's lowers Wells Fargo rating

By Alan Friedman in New York

MOODY'S, the US credit-rating agency, yesterday downgraded the rating on Wells Fargo, the big California commercial banking group, in the latest *indication of* how the US investment community is reacting to the *weakening* of the California economy.

The downgrade, affecting about $4bn in securities, brings its long-term senior debt rating down to BAA1 from *Single-A2*, and the rating on commercial *paper to Prime-2 from Prime-1*.

The long-term deposit rating of Well Fargo Bank, the principal operating subsidiary, was lowered by Moody's from Double-A3 to Single-A2.

Moody's said the action reflected "the uncertain outlook for asset quality, especially in Wells' sizeable portfolio of commercial real estate loans". Moody's noted, however, the *bank had a formida*ble retail franchise in California that continued to generate strong earnings.

The bank, *traditionally* seen as an excellent performer, was subjected to a tough inspection by US bank regulators last December. This led to unusually heavy *bad debt provisions*, especially in the commercial real estate loan portfolio.

Its 1991 net earnings were almost wiped out following *some $700m of fourth-quarter* bad debt provisions.

U.S. $20,000,000
SOFINLUX SA, LUXEMBOURG
Floating Rate Notes due 1999

Notice is hereby given that for the period from 31st January, 1992 to 29th January, 1993 the notes will carry an interest Rate of 5⅜% per annum. The interest payable on the relevant interest payment date 29th January, 1993 will amount to U.S.$5,30S 3334 per U.S. $100,000 nominal

Paying Agent
S.G. Warburg Soditic (Jersey) Ltd.
26th February, 1992

ABSA offer for Bankorp cut to R1.2bn

ABSA, *South Africa's* largest banking group, has lowered its offer for Bankorp by *R100m* ($34.9m) to R1.2bn following a due-diligence investigation on the latter, writes Philip Gawith.

Last month, ABSA announced it was to take over Bankorp, the fifth largest bank, in a deal which would make the enlarged ABSA easily the country's largest, with *assets of over R80bn*.

Under the revised offer, *ABSA will pay 288.5* cents for each Bankorp share, compared with the original offer of 312.5 cents. The first offer was made conditional on the outcome of a due-diligence probe.

The R1.2bn purchase will be funded *through* the *issue* of 107.55m new shares in ABSA at R11.25 each, compared with the original offer of 116.5m shares. *Bankorp shareholders* will receive 100 ABSA shares for every 390 Bankorp shares, compared with 360 previously.

In a related transaction, Sankorp announced – also following a due-diligence investigation – *that it would pay* 340 cents per Momentum Life share, instead of the 359 cents originally announced. This deal was precipitated by ABSA's *takeover of Bankorp*.

These securities have not been registered under The Securities Act of 1933 and may not be offered or sold in the United States or to a US person, absent registration or an applicable exemption of the registration requirement.

This announcement appears as a matter of record only

RIPASA S.A. CELULOSE E PAPEL

US$40,000,000
12 per cent. Guaranteed Notes due 1993

Arranged by
Morgan Grenfell & Co. Limited

Lead Managed by
Morgan Grenfell & Co. Limited
BNP Capital Markets Limited

Distributed through

Ourinvest Capital Inc.
VestcorPartners Limited
Merrill Lynch International Limited
Banco Bamerindus do Brasil
Banco Nacional S.A.
Marcep Overseas Limited

US$10,000,000 Series A Notes
Commercial Risk Guaranteed by
Banco Credibanco S.A.

US$10,000,0000 Series B Notes
Commercial Risk Guaranteed by
Banco Francês e Brasileiro S.A.

US$10,000,000 Series C Notes
Commercial Risk Guaranteed by
BCN-Barclays Banco de Investimento S.A.

US$5,000,000 Series D Notes
Commercial Risk Guaranteed by
Banco Itaú S.A.

US$5,000,000 Series E Notes
Commercial Risk Guaranteed by
Banco Inter-Atlântico de Investimento S.A.

Financial Adviser to the Issuer
Banco Credibanco S.A.
(ASSOCIATED WITH THE BANK OF NEW YORK)

MORGAN GRENFELL

December 1991

All of these securities having been sold, this announcement appears as a matter of record only. February 26, 1992

14,000,000 Shares

National Health Laboratories
INCORPORATED

Common Stock

These securities were offered internationally and in the United States.

International Offering
4,200,000 Shares

Credit Suisse First Boston Limited
Lazard Brothers & Co., Limited | Lehman Brothers International
Morgan Stanley International

BNP Capital Markets Limited | Cazenove & Co.
County NatWest Securities Limited | Dresdner Bank Aktiengesellschaft
Paribas Capital Markets Group | N M Rothschild & Sons Limited
ABN AMRO Bank N.V. | Banque Bruxelles Lambert S.A.
COMMERZBANK AKTIENGESELLSCHAFT | Daiwa Europe Limited
Deutsche Bank Aktiengesellschaft | Société Générale
Swiss Bank Corporation | UBS Phillips & Drew Securities Limited

United States Offering
9,800,000 Shares

The First Boston Corporation
Lazard Frères & Co.
Lehman Brothers
Morgan Stanley & Co. Incorporated

Alex. Brown & Sons Incorporated | Donaldson, Lufkin & Jenrette Securities Corporation | A.G. Edwards & Sons, Inc.
Invemed Associates, Inc. | Kidder, Peabody & Co. Incorporated | Merrill Lynch & Co.
Montgomery Securities | Oppenheimer & Co., Inc. | PaineWebber Incorporated
Sanford C. Bernstein & Co., Inc. | Brean Murray, Foster Securities Inc.
Cowen & Company | Janney Montgomery Scott Inc.
Ladenburg, Thalmann & Co. Inc. | Raymond James & Associates, Inc.
Stifel, Nicolaus & Company Incorporated | Sutro & Co. Incorporated
First Analysis Securities Corporation | Rothschild Inc.
Martin Simpson & Company, Inc. | Wessels, Arnold & Henderson

INTERNATIONAL CAPITAL MARKETS

Over half swaps cases settled out of court

By Richard Waters

MORE than half of all legal disputes between banks and UK local authorities over interest swap agreements are now believed to have been settled, according to banks involved in the transactions.

After a wave of unannounced, out-of-court settlements in recent months, some authorities are understood to have completely disentangled themselves from the mass of legal actions, which last summer stood at about 200. Other authorities and banks hope substantially to have resolved outstanding claims by the end of this year.

Settlement of the actions would bring to an end the protracted and often heated dispute between banks and authorities over the swap agreements, under which banks stand to lose as much as £500m. A year ago, the House of Lords in the UK ruled that authorities were acting outside their powers in entering swap agreements and so could not make payments to banks under the agreements.

However, banks have continued to push for restitution – the return of payments they had made under the agreements. These claims are believed to amount to 20 per cent to 25 per cent of the banks' losses.

Two settlements announced earlier this week, involving Barclays and Midland, follow many more confidential settlements in recent months, bankers said. Midland, for instance, said it had settled many of its claims, and had only 11 outstanding. Citicorp, meanwhile, said it had settled more than three-quarters of claims.

The London Borough of Hammersmith and Fulham – the most active of the authorities in the swaps market – said it had already settled claims with 29 banks.

According to banks involved in the settlements, local authorities are generally agreeing to repay principal amounts to banks, but are not paying the full amount of interest claimed on these amounts, which in some cases are substantial.

The Barclays and Midland settlements bring to an end two cases which had been singled out by the High Court as test cases. Four others are due in the weeks ahead, involving Samuel Montagu, Citicorp, Chemical Bank and the National Bank of North Carolina.

Opinions are divided among bankers over whether this week's arrangements will prompt out-of-court settlements in these cases too, or whether they would increase pressure on authorities to go to court to get a firm legal ruling on which they could act.

The outstanding cases will also determine the liabilities of authorities which entered swap agreements with each other – according to one banker, an even larger issue than their liabilities to banks.

Consumer confidence fall boosts market sentiment

By Patrick Harverson in New York and Richard Waters in London

A BIG drop in consumer confidence provided a welcome boost to US Treasury market sentiment yesterday, although the pressure of fresh supply following the afternoon auction of two-year notes pegged back early price gains.

In late trading, the benchmark 30-year government issue was up ⅛ at 100⅞, yielding 7.938 per cent. The two-year note was also firmer, up ⅛ at 99⅞, to carry a yield of 5.374 per cent.

In the morning, the Conference Board's report that its consumer confidence index fell to 46.3 in February – from 50.2 in January, surprised the market, which had been expecting the index to rise.

The report overshadowed the second leg of the Federal Reserve chairman's Humphrey-Hawkins testimony to Congress. Although Mr Alan Greenspan made some mildly encouraging noises about the economy, he warned that it was too soon to assume that the recovery was assured, and hinted that further monetary stimulus may be required.

After several weeks of steady losses as hopes for more interest rate cuts dwindled, this was exactly what the market wanted to hear. The results of the $14.25bn auction of two-year notes, however, meant prices fell back from their highs.

■ EUROPEAN markets responded in knee-jerk fashion to the news from the US, with most markets bouncing significantly higher in late trading.

UK government bonds gained around half a percentage point on the day, after the market had earlier shown some disappointment that the UK authorities did not follow their Spanish counterparts in cutting interest rates.

The expected rate cut in Spain, of ½ point, provided the opportunity for the UK to steer rates lower, too: but with a national budget announcement two weeks away and an election campaign about to get into full swing, political considerations appeared to determine that now was not the optimum time for a rate cut.

Early firmness in the gilts market eased as a result, helped by rumours of a poor opinion poll showing for the Conservative government. The news from the US later, though, brought a busy afternoon's trading – with around 31,000 contracts in the March gilts future traded on Liffe – and a sharp upturn. The Liffe future ended at around its high for the day of 97.30, up from its opening of 97.18.

■ GERMAN government bond futures also jumped in late trading, but failed to break out of their current trading range.

In a quiet morning, the March bund futures contract firmed from its opening of 87.74 to around 87.80, before the news from the US pushed it up to its resistance level of 88.00.

With inflation data due this week, the up-turn brought little trading from investors, though the heavy day on the futures market suggested that traders were positioning themselves for future buying.

■ AFTER a weak start to the week, Japanese government bonds advanced in early trading in Tokyo as hopes of an official discount rate cut were rekindled.

However, the early advances were lost during the afternoon, with the benchmark bond No 129 closing at around the same level as Monday, when it closed with a yield of 5.385 per cent.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	99.9121	+0.451	10.01	10.10	10.07
BELGIUM		9.000	06/01	101.9000	+0.350	8.69	8.73	8.86
CANADA *		8.500	04/02	100.3800	+0.450	8.45	8.49	8.34
DENMARK		9.000	11/00	102.5200	+0.200	8.57	8.59	8.48
FRANCE	BTAN	8.500	03/97	99.0726	+0.158	8.72	8.76	8.61
	OAT	8.500	11/02	100.1800	+0.320	8.46	8.46	8.57
GERMANY		8.000	01/02	100.6900	+0.270	7.89	7.92	7.87
ITALY		12.000	02/02	98.9500	+0.210	12.18†	12.31	12.20
JAPAN	No 119	4.800	06/99	95.1302	-0.171	5.75	5.72	5.53
	No 129	6.400	03/00	105.6281	+0.207	5.36	5.39	5.23
NETHERLANDS		8.250	02/02	99.9200	+0.380	8.26	8.30	8.35
SPAIN		11.300	01/02	103.2700	+0.120	10.73	10.78	10.79
UK GILTS		10.000	11/96	102-04	+3/32	9.42	9.40	9.80
		9.750	08/02	102-30	+7/32	9.31	9.31	9.45
		9.000	10/08	99-02	+11/32	9.11	9.11	9.23
US TREASURY *		7.500	11/01	100-09	[illegible]	7.46	7.42	7.24
		8.000	11/21	101-18	[illegible]	7.86	7.87	7.70

London closing, *New York closing. Yields: Local market standard
† Gross (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Thai Airways appoints 76 underwriters

By Victor Mallet in Bangkok

THAI Airways International, the national airline, yesterday appointed 76 underwriters to manage next month's offer of 7 per cent of its shares to the public. The deal, valued at about $237.5m, includes almost every licensed broker and sub-broker in Thailand.

"We felt it important to have broad participation by the nation's financial community," said Air Chief Marshal Kaset Rojananil, Thai chairman and the head of the air force.

He described the offer of 95m shares at Bt60 ($2.50) each as "the largest public offering involving the largest number of underwriters in the history of the Stock Exchange of Thailand".

Managing underwriters are Bangkok First Investment and Trust, Dhana Siam Finance and Securities, Nava Finance and Securities and Thai Investment and Securities.

In the first such broadly-based offering in Thailand, Thai is offering 40m shares to small investors through five commercial banks – Bangkok Bank, Krung Thai Bank, Siam Commercial Bank, Thai Farmers Bank and Thai Military Bank.

Mr Kaset said the offer, to be promoted by a series of "roadshows" throughout Thailand, would allow the public to participate in a large blue-chip enterprise, mobilise private capital to support Thai's long-term growth, help the company's image and develop Thailand's capital markets.

Mr Prachitr Yossundara, chairman of Dhana Siam, said the offer would contribute significantly to share ownership in the country.

Philippine group in $28m GDR plan

By Jose Galang in Manila

AYALA Corporation, a leading Philippine property-based conglomerate, plans to launch a global depository receipt (GDR) programme worth about $28m.

The company said it will offer 34m class B common shares as GDRs in March. The GDRs will be offered in Hong Kong, London and New York. Lead underwriters for the offering are Salomon Brothers and Baring Brothers.

Ayala is the holding company of one of the Philippines' largest conglomerates, whose interests span property development, food production, banking and insurance.

In announcing the GDR programme yesterday, Ayala said its unaudited consolidated net income for 1991 was about 2.1bn pesos ($87m).

Ayala Land, the property developer in the group and one of the most actively traded stocks on the local exchanges, sold 96m of its class B common stock in July 1991, the main portion of which went to the international market. Its unaudited net income of 800m pesos for 1991 exceeded by about 26m pesos projections made during its offering period last year.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on February 25

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	105¼	106¼		6.68
ALBERTA PROVINCE 9 3/8 95	600	107¼	108¼		6.89
AUSTRIA 8 1/2 00	400	105	105½	+⅛	7.63
BANK OF TOKYO 8 3/8 96	100	103¾	104¼	-⅛	7.38
BELGIUM 9 5/8 98	250	109¾	110¼	+⅛	7.62
BFCE 7 3/4 97	150	101⅞	102⅛		7.29
BNP 8 5/8 94	300	105⅝	106		6.05
BRITISH GAS 8 3/8 99	350	103⅝	104⅛	+⅛	7.71
CANADA 9 96	1000	107⅛	107⅜	+⅛	6.80
CARCO 9 1/4 96	650	102⅝	103⅛		8.56
CCCE 9 1/4 95	300	107⅝	108	+⅛	6.39
COUNCIL EUROPE 8 96	100	103¼	103¾	+⅛	7.10
CREDIT FONCIER 9 1/2 99	300	110¼	110⅝	+⅛	7.58
DENMARK 8 1/4 94	150	104⅝	105⅛		6.15
DENMARK 9 1/4 95	1571	107⅜	107⅞		6.52
ECSC 8 1/4 96	193	104¼	104¾	+⅛	7.15
EEC 8 1/4 96	100	104¼	104⅝		7.09
EIB 7 3/4 96	250	102⅝	103⅛		7.02
EIB 9 1/4 97	1000	108½	108⅞	+⅛	7.36
ELEC DE FRANCE 9 98	200	106⅞	107⅜	+⅛	7.54
EURO CRED CARD TST 9 94	325	103⅝	104⅛		7.40
EUROFIMA 9 1/4 96	100	107	107⅜		7.19
EXPORT DEV CORP 9 1/2 98	150	109¼	109¾	+⅛	7.58
FINLAND 7 7/8 97	200	101⅝	102⅛	+⅛	7.46
FINNISH EXPORT 9 3/8 95	200	107⅜	107¾	+⅛	7.00
FORD CAPITAL 9 3/4 97	250	105¾	106¼	+⅛	8.34
GEN ELEC CAPITAL 9 3/8 96	300	107⅝	108⅛	+⅛	7.22
GMAC 9 1/8 96	200	104¼	104⅞	+⅛	7.85
GUINNESS FINANCE 8 94	200	103¾	104	+⅛	6.40
IBM INTL FIN 7 3/4 94	200	103½	104		5.95
IND BK JAPAN FIN 7 7/8 97	200	101⅝	102⅛	-⅛	7.50
INTER AMER DEV 7 5/8 96	200	102	102½		7.08
ITALY 8 1/2 94	1500	105⅝	106⅛		6.03
JAPAN DEV BK 8 94	150	104	104⅜	+⅛	6.01
KANSAI ELEC PWR 10 96	350	109⅝	110⅛	+⅛	7.20
LTCB FIN 8 97	200	101	101½		7.74
NEW ZEALAND 9 94	850	105¾	106¼		6.42
NIPPON CRED BK 10 3/8 95	150	108¼	109⅛		7.32
NIPPON TEL & TEL 9 3/8 95	200	107½	108	+⅛	6.56
ONTARIO 8 1/2 01	600	101⅞	102⅜	+⅛	8.20
ONTARIO HYDRO 11 5/8 94	200	109⅝	110⅛		6.24
OSTER KONTROLLBANK 8 1/2 01	200	104¼	104⅝	+⅛	7.82
PETRO-CANADA 7 1/4 96	300	100⅝	101	+⅛	7.13
QUEBEC HYDRO 9 3/4 98	150	108¼	109⅛	+⅛	7.97
QUEBEC PROV 9 98	200	105¼	105¾		7.90
SAINSBURY 9 1/8 96	150	105⅝	106	+⅛	7.67
SAS 10 99	200	105⅝	106⅛		8.89
SBAB 9 1/2 95	500	107½	107⅞	+⅛	6.84
SNCF 9 1/2 98	150	109¼	109¾	+⅛	7.58
STATE BK NSW 8 1/2 96	200	103¼	103¾	+⅛	7.61
SWEDISH EXPORT 8 3/8 96	700	104½	104⅞	+⅛	9.94
TOKYO ELEC POWER 8 3/4 96	300	105⅝	106	+⅛	7.22
TOKYO METROPOLIS 8 1/4 96	200	104¼	104⅝	+⅛	7.17
WORLD BANK 8 3/8 99	1500	105½	105⅞	+⅛	7.35
WORLD BANK 8 3/4 97	1500	107¼	107½	-⅛	7.13
XEROX CORPN 8 3/8 96	100	101¾	102¼		7.98
DEUTSCHE MARK STRAIGHTS					
ABN AMRO 8 1/2 96	500	101¾	101⅞		8.12
AUSTRIA 6 3/4 99	750	94½	94⅞	+⅛	7.78
BNP 8 1/4 01	200	102½	103	+⅛	7.86
DEUTSCHE FINANCE 7 1/2 95	1000	98¼	98¾		7.99
EIB 5 3/4 98	400	90¼	90¾		7.82
EIB 6 1/4 99	600	91⅞	92¼		7.81
EUROFIMA 8 3/4 96	400	102⅝	103¼	+⅛	8.02
FIRST INTERSTATE 5 3/4 96	100	87¼	87¾	+⅛	9.56
FORD MOTOR CREDIT 9 1/4 94	300	100¼	100½		9.10
IND BK JAPAN FIN 5 5/8 96	200	91¼	91¾		8.18
INTER AMER DEV 9 00	300	107¼	107½		7.84
IRELAND 6 1/2 99	300	92¼	92¾	-⅛	7.98
LUFTHANSA INT FIN 5 7/8 98	500	89¼	89¾	-⅛	8.19
NAT BK HUNGARY 10 3/4 98	500	100	100½		10.72
SWEDEN 6 1/8 98	300	92½	92¾		7.72
TURKEY 10 3/4 96	500	100⅝	100⅞		10.61
WORLD BANK 0 15	2000	21¼	21¾		6.72
WORLD BANK 5 3/4 96	300	92⅞	93¼	+⅛	7.91
WORLD BANK 8 3/4 00	1250	105¼	105⅝		7.83
SWISS FRANC STRAIGHTS					
ASIAN DEV BANK 6 10	100	91¾	92¼	-⅛	6.79
AUSTRIA 4 5/8 98	100	91¼	91¾		6.44
CHUBU ELEC POWER 6 3/4 01	300	100¼	100¾	-⅛	6.71
COUNCIL EUROPE 4 3/4 98	250	91	91½		6.62
EEC 5 1/2 00	100	91½	92½	-⅛	6.82
EIB 6 1/2 98	600	100⅞	101		6.32
ELEC DE FRANCE 7 1/4 06	100	104	105	-½	6.79
FINLAND 5 3/8 95	150	96	96½		6.62
GENERAL MOTORS 7 1/2 95	100	100¾	101¼	-⅛	7.21
JAPAN DEV BK 5 1/2 94	100	97	98		7.19
KOBE 6 3/8 01	240	98¼	99¼		6.55
NEW ZEALAND 4 7/8 99	200	90½	91	+⅛	6.62
QUEBEC HYDRO 5 08	100	78	78½	-½	7.38
WORLD BANK 5 03	150	86	86½	-½	6.79
WORLD BANK 7 01	600	103¼	103⅞		6.44
YEN STRAIGHTS					
AUSTRIA 4 3/4 94	30000	99⅛	99½		5.24
CREDIT FONCIER 5 1/4 94	20000	99½	100	+⅛	5.44
DENMARK 7 95	40000	104½	104¾		5.30
EIB 4 5/8 94	40000	99½	99¾	+⅛	4.86
ELEC DE FRANCE 5 5/8 96	20000	100½	101	+⅛	5.49
FINLAND 6 3/4 96	50000	103⅝	103⅞	+⅛	5.73
INTER AMER DEV 7 1/4 00	30000	109¾	109⅞		5.78
KANSAI ELEC PWR 4 5/8 94	60000	98¼	98½		5.49
NIPPON TEL & TEL 5 7/8 96	50000	101⅞	102⅛		5.42
NORWAY 5 1/8 95	50000	99⅝	99⅞		5.25
SNCF 6 3/4 00	30000	106⅞	107¼		5.66
SWEDEN 5 5/8 95	20000	100⅝	101¼		5.42
WORLD BANK 6 3/4 00	50000	107¼	107½		5.61

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.88
COPENHAGEN TEL 8 5/8 96 LFr	600	98¼	99¼		9.21
WORLD BANK 8 96 LFr	1000	96½	97½		9.03
ENERGIE BEHEER 8 3/4 98 Fl	500	102¼	102¾		8.29
UNILEVER 9 00 Fl	500	105¼	105¾		8.10
ALBERTA PROVINCE 10 5/8 96 C$	500	105¼	105½	+⅛	8.99
BELL CANADA 10 5/8 99 C$	150	106⅛	106⅝	+⅛	9.42
BRITISH COLUMBIA 10 96 C$	500	103⅝	103⅞	+⅛	8.99
EIB 10 1/8 98 C$	130	104⅝	105⅛		9.07
ELEC DE FRANCE 9 3/4 99 C$	275	103⅛	103⅝		9.14
FORD CREDIT CANADA 10 94 C$	100	100⅝	101⅛	-⅛	9.53
GEN ELEC CAPITAL 10 96 C$	300	103¼	[illegible]	+⅛	9.03
KFW INT FIN 10 01 C$	400	104	104¼		9.32
NIPPON TEL & TEL 10 1/4 94 C$	200	105	105⅝		9.29
ONTARIO HYDRO 10 7/8 99 C$	500	106½	107	-⅛	9.54
OSTER KONTROLLBANK 10 1/4 99 C$	150	105⅝	105⅞		9.30
QUEBEC PROV 10 1/2 98 C$	200	104¾	105⅛	+⅛	9.50
BELGIUM 9 1/8 96 Ecu	1250	101⅞	101⅞		8.59
CREDIT LYONNAIS 9 96 Ecu	125	99½	100¼	+⅛	9.24
DENMARK 7 5/8 96 Ecu	250	94	95	+⅛	9.42
EEC 7 5/8 94 Ecu	200	97¼	97¾		9.19
EIB 10 97 Ecu	1125	106	106¼		8.47
FERRO DEL STAT 10 1/8 98 Ecu	300	106	106½		8.76
ITALY 10 3/4 00 Ecu	1000	111⅝	112	+⅛	8.65
UNITED KINGDOM 9 1/8 01 Ecu	2750	104⅛	104⅜	+⅛	8.45
BP AMERICA 12 1/4 96 A$	100	106½	107	+⅛	10.20
COMM BK AUSTRALIA 13 3/4 99 A$	100	114⅛	114⅝	+⅛	10.81
EKSPORTFINANS 12 3/8 95 A$	75	108¼	108¾	+⅛	9.29
EUROFIMA 14 5/8 94 A$	75	111	111½		8.86
MCDONALDS CANADA 15 95 A$	100	113¼	113⅝	+⅛	10.12
NAT AUSTRALIA BANK 14 3/4 94 A$	150	109⅝	110		9.32
STATE BK NSW 14 1/4 99 A$	100	115⅝	116⅛	+⅛	11.04
UNILEVER AUSTRALIA 12 98 A$	150	107⅛	107⅝	+⅛	10.33
VOLKSWAGEN INTL 15 94 A$	100	110⅛	110⅝		9.41
ABBEY NATL TREAS 13 3/8 95 £	100	108	108⅜	+⅛	10.15
ALLIANCE & LEICS 11 3/8 97 £	100	103⅛	103⅝	+⅛	10.54
BRITISH GAS 12 3/4 95 £	300	107	107⅜	+⅛	9.90
BRITISH LAND 12 1/2 16 £	150	107⅛	107⅝	+⅛	11.52
DEUTSCHE BK FIN 11 94 £	225	102	102⅜		9.77
EIB 10 97 £	536.5	101⅝	101⅞	+⅛	9.56
FINLAND 10 1/8 97 £	100	101⅜	101⅞	+⅛	9.76
ITALY 10 1/2 14 £	400	104½	104⅞	+⅛	9.98
LAND SECS 9 1/2 07 £	200	89⅛	89⅝	+⅛	10.98
NORWAY 10 1/2 94 £	200	101¼	101⅝		9.76
ONTARIO 11 1/8 01 £	100	105½	106	+⅛	10.16
SEVERN TRENT 11 1/2 99 £	150	104⅝	104⅞	+⅛	10.59
SKANDINAVISKA ENSK 13 1/8 95 £	100	106½	107¼	+⅛	10.49
TOKYO ELEC POWER 11 01 £	150	106⅝	106⅞	+⅛	9.94
WORLD BANK 11 1/4 95 £	100	103⅞	104¼	+⅛	9.80
ABBEY NATIONAL 0 96 NZ$	100	65⅝	66⅛	+⅛	9.57
BNP 12 96 NZ$	50	108½	109½	-⅛	9.41
CEPME 10 95 FFr	2000	102⅝	103		9.02
ELF-AQUITAINE 9 99 FFr	600	100⅞	101¼		8.84
EURATOM 7 5/8 98 FFr	500	93¼	93¾	+⅛	9.03

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALLIANCE & LEICS 0.08 94 £	300	99.47	99.63	10.7675
BANCO ROMA 0.03 01	200	92.38	93.54	4.4050
BELGIUM 1/16 97 DM	500	99.96	100.06	9.5000
BFCE -0.02 96	350	100.20	100.30	4.9175
BNP 05	300	96.80	97.65	5.5625
BRITANNIA 1/10 96 £	150	99.06	99.25	10.7875
CCCE 06 ECU	200	99.92	100.02	10.1563
CITIZENS FED 0.15 96	100	99.41	99.86	5.9625
CREDIT FONCIER -1/16 98	200	100.11	100.21	5.3438
DENMARK -1/8 96	1000	99.59	99.69	5.6875
DRESDNER FINANCE 1/32 98 DM	1000	99.95	100.04	9.5938
ELEC DE FRANCE 1/8 99	400	101.60	102.31	6.0625
FERRO DEL STAT 94	200	100.92	101.25	5.9375
HALIFAX [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
IRELAND [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ITALY 00 [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LEEDS PERMANENT [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LLOYDS BANK [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
MITSUI FIN [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NAT WEST [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NEW ZEALAND [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
RENFE 98 [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SOCIETE GENERALE [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
STATE BK VICTORIA [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UNITED KINGDOM [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YORKSHIRE [illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
BURTON GROUP [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CHUBB CAPITAL [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EASTMAN KODAK [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GOLD KALGOORLIE [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HANSON [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HAWLEY [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HILLSDOWN [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LAND SECS [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LASMO [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
MITSUI BANK [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
MOUNT ISA [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OGDEN [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SEGA ENTERPRISES [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SMITH & NEPHEW [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SUMITOMO [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TEXAS INSTRUMENTS [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
THORN EMI [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg day=Change on day

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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CALLING OF AN EXTRAORDINARY SHAREHOLDERS MEETING

Holders of Credito Italiano savings shares are called upon to attend an Extraordinary Shareholders Meeting to be held on 12 March 1992 at 11.30 a.m. in the Bank's registered office in Genoa, Piazza De Ferrari (entrance in Via Dante 1). If necessary a second and a third sitting will be held on 13 March 1992 at 6.30 p.m. and 14 March 1992 at 9.00 a.m. respectively at the same address, to discuss the following

Agenda

Appointment of a single Representative of holders of savings shares, emolument due to same and subsequent resolutions.

All shareholders who possess savings shares may attend the meeting, providing they have deposited their shares with any branch of Credito Italiano or with Monte Titoli S.p.A., at least five days before the date scheduled for the extraordinary meeting.

THE BOARD OF DIRECTORS

Credito Italiano

New Zealand
£200,000,000
Floating Rate Notes 1997

In accordance with the provisions of the Notes, notice is hereby given that, for the three month period 24th February, 1992 to 26th May, 1992 the Notes will bear interest at the rate of 10¼ per cent. per annum. Coupon No 27 will therefore be payable on 26th May, 1992 at £1,303.96 per coupon from Notes of £50,000 nominal and £130.40 per coupon from Notes of £5,000 nominal.

S.G.Warburg & Co. Ltd.
Agent Bank

Residential Property Securities No. 1 PLC
£200,000,000
Mortgage Backed Floating Rate Notes 2018

The rate of interest for the three month period 24th February, 1992 to 26th May, 1992 has been fixed at 10.6625 per cent. per annum. Coupon No. 16 will therefore be payable on 26th May, 1992 at £2,680.19 per coupon.

Aggregate interest charging balances of Mortgages redeemed during the previous Interest Period: £5,565,135.04.

Aggregate interest charging balances of Mortgages redeemed as at 24th February, 1992: £183,894,140.36.

The aggregate principal amount of Notes outstanding as at 24th February, 1992: £126,800,000.

S.G.Warburg & Co. Ltd.
Agent Bank

INTERNATIONAL CAPITAL MARKETS

Market subdued despite Halifax £100m addition

By Simon London

NEW issue activity remained subdued in the international bond market yesterday, with volatility in domestic bond markets keeping most issuers and investors on the side-lines.

Halifax Building Society became the second UK financial institution to raise capital this week, following a £100m subordinated debt issue by Abbey National on Monday.

INTERNATIONAL BONDS

The Halifax added £100m to its outstanding £150m subordinated debt issue maturing 2014. The new 11 per cent bonds were priced to yield 152 basis points over long-dated UK government bonds, a pick up of around 10 basis points over the outstanding issue.

This was generous enough to tempt a range of UK institutional investors into the deal, which was wholly underwritten by Warburg Securities. The deal becomes the largest unsecured issue at the long end of the sterling market.

There have been few new long-dated bond issues in the sterling market this year. Most companies have preferred either to defer new issues until UK interest rates have fallen again or to lock into current rates at shorter maturities.

As a result, yield spread of outstanding issues have narrowed in the secondary market. For example, the outstanding Halifax bonds were trading at a yield spread of 175 basis points over gilts in early December, against 142 basis points before the new paper was issued yesterday.

The proceeds of the issue count as non-core capital for Halifax, strengthening its balance sheet and increasing its capacity to lend. However, it does not have an urgent need for capital. Its total capital ratio is well in excess of 8 per cent of risk weighted assets, the minimum ratio required under international banking supervision rules, which building societies will have to meet next year.

By the close of trading, yesterday's issue was trading at 100.875 bid, having been re-offered to investors at a fixed price of 100.592, where the yield spread was 147 basis points over gilts.

Elsewhere, new equity-linked bond offerings by Japanese companies continued to flow. Syndicate officials expect a stream of new deals in the run up to the Japanese financial year end on March 31.

Six deals were launched in dollars, D-Marks, Ecu and Swiss francs with the companies raising $650m equivalent.

Demand is well below the levels seen at the peak of the financial boom in Japan, although most of the deals launched yesterday received a reasonable reception.

For example, Nisshinbo Industries' Ecu100m five-year issue, lead managed by Nikko Europe, traded up from an issue price of par to stand at 100.40 bid by the close of trading. Autobacs Seven Company's $100m five-year issue, lead managed by Nomura International, traded up to 101 bid, also from an issue price of par.

● Nomura Bank International, the arm of the Japanese securities house recognised under UK banking legislation as a deposit-taking institution, has been awarded a top A-1+ credit rating for short-term debt by Standard & Poor's, the US credit rating agency.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Abbey Nat.Treas.Services(b)‡†	100	(b)	100.155	1998	-	Lehman Bros.
Autobacs Seven(a)♦	100	3	100	1996	2¼/1½	Nomura Int.
STERLING						
Halifax Building Soc.(c)†	100	11	102.467	2014	2½/1⅞	Warburg Secs.
ECUs						
Nisshinbo Industries(a)♦	100	4⅞	100	1996	2¼/1½	Nikko Europe
D-MARKS						
Osaka Uoichiba(a)♦	100	4½	100	1996	2¼/1½	Nomura Bk GmbH
Sekisui Plastics(a)♦	100	4⅝	100	1996	2¼/1½	Yamaichi Bk GmbH
SWISS FRANCS						
Aoyama Trading(d)♦♦†	450	3	100	1996	-	SBC
Tosetsu Kogyo(e)♦♦†	40	3⅛	100	1996	-	Yamaichi Bk (Switz)

♦Private placement. ‡Convertible. ♦With equity warrants. †Floating rate note. †Final terms. a) Non-callable. b) Issued as part of a $5bn Medium Term Note programme. Coupon pays 20p minus 3-month Libor. Non-callable. c) Fungible with existing £150m deal. Non-callable. d) Put option 31/3/94 at 107⅝% to yield 5.59%. Coupon payable semi-annually. e) Callable 12/3/94 at 101% declining ¼% annually.

Chicago begins test of anti-fraud device

THE Chicago Board of Trade and the Chicago Mercantile Exchange, the world's two largest futures markets, begin tests today on a hand-held electronic trading card, reports Barbara Durr in Chicago.

The two exchanges have spent some $6m developing Audit, which promises to help resolve many of the regulatory issues of trading fraud. It will replace the time-honoured practice of scribbling on paper cards and create a tamper-proof trail for each trade.

Traders are known to have mixed feelings about the electronic trading device partly because they fear they will not be able to work as quickly in fast moving markets.

Although testing was due to begin last year, development delays forced a postponement. The first prototype, a touch-screen model from Spectrix, will be tried in the wheat pit of the CBOT and the D-Mark pit of the CME.

Malaysian offering for overseas investors

By Simon London

INTERNATIONAL investors have the first opportunity to participate in a primary offering of shares in a Malaysian company next month with the privatisation of Tenaga Nasional, the country's electric power utility.

INTERNATIONAL EQUITY ISSUES

The Malaysian government is offering 23 per cent of the company for sale, raising US$1.3bn from the sale of 685m shares. Around 10 per cent of the shares will be offered to international investors through an open tender managed by Baring Brothers, Daiwa and Salomon Brothers which starts on March 2.

The deal will be priced this weekend, and bankers are expecting a minimum tender price of around M$4.50, with shares offered to domestic investors at a similar price. However, higher bids are expected as international investors move to secure a stake in an important part of the country's economy.

At the minimum tender price the company will be valued at around M$13.5bn, against a total equity market capitalisation of M$150bn.

In 1990, Malaysia Telecom was privatised on the domestic equity market, although last year the government made a $190m offering of bonds exchangeable into shares.

Elsewhere, Instituto Bancario San Paolo di Torino, the Italian banking group, today starts presentations to international investors in preparation for its L1,250bn ($1.04bn) equity offering.

The deal will increase San Paolo's share capital to L6,250bn, making it Italy's largest banking group. A consortium of banks led by Mediobanca, the Milan-based merchant bank, are handling the transaction with separate banks heading regional syndicates.

The deal will be priced on March 9 and the shares are expected to be offered at around L12,000 to L14,000.

Mexico hopes for market stability

Damian Fraser on the country's reform of compulsory savings funds

THE Mexican Congress has approved sweeping reforms to the nation's compulsory pension and housing funds.

The changes are expected to boost domestic savings by $1bn in the first year of operation, and in the longer term could make Mexico's notoriously volatile capital markets more stable.

The new law, which becomes binding in May, requires employers to pay 2 per cent of employees' salaries into personal pension funds administered by the commercial banks, and 5 per cent of salary into personal housing funds administered by a reformed Infonavit, Mexico's housing agency.

The scheme will run alongside the existing pay-as-you-earn social security system, under which 7 per cent of a worker's salary is paid into a government-administered scheme.

The reformed pension fund scheme is likely to prove a bonanza for Mexico's 18 commercial banks, 11 of which have just been privatised, with the remaining seven on the block.

The banks will administer – and receive commissions for – 10m to 12m new bank accounts as a result of the initiative. Mexico's central bank reckons the reforms will raise roughly 3bn pesos ($1bn) in savings in the first year.

The pension funds will almost certainly be allowed to be partially invested in both the debt and equity of private sector companies, according to the Bank of Mexico, although the exact regulations governing the new law have yet to be worked out.

Since the pension fund managers will be investing over a 30-year period, they are likely to buy long-term bonds from Mexican companies, says the bank. Until now, Mexican companies have been forced to borrow over the short term, partly because of Mexico's high inflation rate, but also due to the speculative interest of many Mexican investors.

The effect of the reform on the stock market could be equally great.

At present, says Mr Charles Alexander, of N. M. Rothschild, the investment bank which has a large representative office in Mexico City, there are no forced buyers of Mexican domestic shares, as institutions in, say, the US and the UK, are forced to buy their domestic stock.

As a result, says Mr Alexander, it is often difficult to sell Mexican stocks since there are few investors willing to buy Mexican equity when the Mexican stock market falls. The lack of long-term institutional buyers also has exacerbated the volatility of the bourse.

Under the scheme, all workers will be able, if they wish, to invest their money in the central bank – where the return will be fixed quarterly at an annual rate of 2 per cent or more in real terms, depending on the finance minister's interpretation of market conditions.

Alternatively, workers can place their money in an investment fund offered by their chosen bank – but which could be managed by either banks, insurance companies or stockbrokerages. Investment funds will face restrictions on how much of the money can be invested in any given asset class, but investments in equities and corporate bonds will, it appears, be allowed.

The business sector is angry it has to pay out another 2 per cent of wages, but the financial sector can barely conceal its glee

Workers can, if they want, top up their savings beyond the 2 per cent of their salary. At present, most Mexicans do not have bank accounts, so if they want to save money they often buy consumer durables, such as cars, televisions or even bricks. Since workers will now be able to channel savings into the financial sector, Mexico's low savings rate should increase.

The reforms of Infonavit are just as radical, since they will turn a construction agency into a housing bank. As in the past, each employer will pay 5 per cent of workers' salary into Infonavit. But workers will receive accounts detailing their credits, curbing under-invoicing by companies that had been common in the past.

Infonavit will charge interest of 4 per cent in real terms to those borrowing to buy their homes. After deducting expenses, it will pay an interest rate to creditors that lets the agency break even. Those not eligible or able to acquire loans from Infonavit – mainly the relatively well-off – can draw down their credits at Infonavit after retirement.

The reforms have upset Mexico's labour unions, which will no longer be able to hand out houses to workers, or receive kickbacks for favours rendered.

Likewise, the business sector, while generally supportive of the changes, is angry it has to pay out another 2 per cent of wages without any increased productivity. By contrast, the financial sector, which stands to gain the most, can barely conceal its glee.

The central bank reckons the additional pension savings will increase the average worker's pension by 25 per cent – although this would only apply to employees who had subscribed to the scheme through their working life.

European pension fund assets 'to double'

By David Waller in Frankfurt

MORGAN Grenfell, the investment banking subsidiary of Deutsche Bank, is predicting 50 per cent growth in continental European pension fund assets over the first five years of the current decade, to $997bn in 1995 from $675bn in 1990.

Speaking in Frankfurt at Deutsche Bank's headquarters, Mr Michael Dobson, chief executive of Morgan Grenfell, said the highlight of this expansion would be diversification of pension funds into non-domestic investments, where the total under management was likely to double to $100bn over the five-year period from $48bn.

This growth was likely to be higher than anywhere else in the world except Japan and was likely to fuel demand for the services of Europe-based fund managers, Mr Dobson said, arguing that the opportunities would be greater because approximately 10 per cent of all contracts to manage pension funds are expected to change hands each year.

He predicted that the whole continental European pension fund market would follow the trend already set by the US and the UK, with a greater emphasis on active performance and an increasing tendency for pension funds to be managed by professionals rather than in-house. At present, 80 per cent of continental European funds are managed by companies themselves and 20 per cent by independent professionals, almost the opposite of the picture in the UK.

In continental Europe, "passive investments" in bonds and private placements typically constituted around three-quarters of a pension fund portfolio, Mr Dobson said, with only 10 per cent in equities and the balance in cash and property. The likelihood was there would be a move towards the typical UK portfolio, where over 70 per cent is invested in equities.

Mr Rolf Breuer, Deutsche Bank main board director with responsibility for the bank's securities activities, said it was a priority for the bank to increase its fund management activities. At present, the bank is the world's 20th largest fund manager with assets of DM124bn under management.

Deutsche Bank is predicting 9.5 per cent growth per year from 1991 to 1996 in the domestic German pension fund market. The total size of German pension funds stood at only DM129bn in 1991 compared to DM849bn in the UK, DM993bn in Japan and DM4131bn in the US.

Morgan Grenfell fund managers are paying marketing visits to many of Deutsche's German corporate clients.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section

	Tuesday February 25 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1992 to date	Mon Feb 24 Index No.	Fri Feb 21 Index No.	Thu Feb 20 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (178)	795.14	-0.4	8.28	6.00	15.45	1.41	798.29	791.64	791.99	812.35
2 Building Materials (23)	981.29	-	7.12	6.34	18.02	0.44	981.19	972.08	973.11	1116.50
3 Contracting, Construction (28)	887.25	+0.1	8.98	8.23	16.07	1.32	886.07	882.30	883.85	1283.64
4 Electricals (7)	2438.73	-0.8	10.13	6.15	12.42	2.47	2457.77	2457.26	2458.77	2223.39
5 Electronics (26)	1820.80	-0.2	10.06	4.70	12.60	1.86	1824.07	1800.30	1801.16	1735.03
6 Engineering-Aerospace (8)	327.57	-0.3	12.49	7.93	9.73	5.78	328.50	329.26	324.10	414.10
7 Engineering-General (43)	490.82	-0.6	9.44	4.81	13.08	1.21	493.62	489.27	488.86	411.23
8 Metals and Metal Forming (10)	326.39	-0.7	2.12	10.59	-	0.00	328.82	327.58	325.78	446.13
9 Motors (14)	316.45	-1.0	8.03	7.48	16.55	0.00	319.52	314.25	314.32	319.28
10 Other Industrial Materials (19)	1602.57	-0.6	7.31	5.12	16.85	0.69	1612.41	1599.59	1606.45	1425.04
21 CONSUMER GROUP (188)	1668.96	-0.7	6.95	3.34	17.69	4.74	1680.69	1672.42	1673.31	1330.40
22 Brewers and Distillers (23)	2117.13	-0.4	7.59	3.35	15.89	7.93	2124.70	2095.84	2107.33	1664.41
25 Food Manufacturing (18)	1265.80	-0.1	8.53	4.04	14.46	2.11	1280.89	1273.66	1275.89	1125.82
26 Food Retailing (17)	2617.42	-0.1	8.43	3.17	15.41	4.06	2619.43	2566.54	2544.73	2499.19
27 Health and Household (24)	4363.25	-1.3	5.34	2.56	23.37	15.12	4420.14	4441.00	4423.23	2827.17
29 Hotels and Leisure (23)	1299.25	-0.3	7.16	3.19	17.40	8.54	1294.99	1290.38	1302.32	1270.62
30 Media (24)	1542.18	-0.4	6.34	3.54	19.85	2.97	1547.90	1543.17	1533.58	1326.06
31 Packaging, Paper & Printing (17)	751.95	-	7.04	4.41	17.23	0.22	751.91	748.06	747.88	598.46
34 Stores (32)	1053.28	-0.9	7.01	3.43	18.90	1.91	1062.63	1059.15	1068.55	858.82
35 Textiles (10)	635.51	-0.2	7.23	4.87	17.66	0.53	636.80	638.20	630.39	448.11
40 OTHER GROUPS (116)	1228.23	-0.3	9.82	5.40	12.84	6.41	1231.60	1224.95	1223.40	1121.08
41 Business Services (16)	1393.65	-0.7	7.20	4.64	16.67	0.27	1403.88	1395.62	1408.45	1060.89
42 Chemicals (21)	1515.35	-0.2	6.43	4.85	18.68	0.59	1518.58	1501.23	1514.96	1355.99
43 Conglomerates (11)	1334.84	+0.6	10.85	7.58	11.22	3.18	1326.62	1323.58	1326.26	1477.32
44 Transport (14)	2415.92	+0.1	5.25	4.69	25.14	2.46	2413.34	2407.10	2422.08	2072.54
45 Electricity (16)	1198.24	-0.5	15.31	6.20	8.60	17.21	1203.95	1195.11	1206.17	1119.35
46 Telephone Networks (4)	1400.53	-0.7	11.20	4.48	11.65	16.02	1410.01	1406.90	1411.34	1257.82
47 Water (10)	2419.41	-0.4	17.63	6.57	6.29	0.00	2429.65	2402.39	2453.60	2408.51
48 Miscellaneous (24)	1843.81	-0.2	5.56	5.29	24.57	1.18	1847.99	1859.56	1855.43	1771.94
49 INDUSTRIAL GROUP (482)	1308.62	-0.5	8.07	4.44	15.49	4.43	1315.38	1307.92	1311.16	1141.66
51 Oil & Gas (18)	2015.81	-0.3	9.48	6.99	13.92	36.07	2021.00	2015.89	1998.01	2255.86
59 500 SHARE INDEX (500)	1376.04	-0.5	8.21	4.70	15.32	6.70	1382.79	1375.91	1377.19	1235.79
61 FINANCIAL GROUP (87)	727.86	-	-	5.61	-	2.61	727.93	727.97	717.64	778.41
62 Banks (9)	907.83	+0.4	4.49	9.81	40.53	0.20	903.95	887.02	875.32	827.95
65 Insurance (Life) (6)	1429.81	-0.2	-	5.97	-	0.00	1432.78	1415.77	1415.30	1446.71
66 Insurance (Composite) (7)	484.91	+0.4	-	8.99	-	0.00	483.01	480.47	481.80	488.02
67 Insurance (Brokers) (10)	965.23	+0.4	8.01	6.92	16.42	2.37	961.02	976.08	976.39	1045.98
68 Merchant Banks (7)	479.68	+0.2	-	4.70	-	0.00	478.83	479.19	479.77	410.06
69 Property (33)	738.41	-2.0	7.79	6.14	17.57	8.93	753.35	754.29	761.10	1019.07
70 Other Financial (14)	246.11	+0.1	11.08	7.09	10.75	0.91	245.91	247.29	246.09	271.95
71 Investment Trusts (68)	1177.88	-	-	3.73	-	4.11	1177.73	1175.00	1172.81	1161.65
99 ALL-SHARE INDEX (654)	1221.30	-0.4	-	4.88	-	5.72	1226.45	1219.36	1220.01	1123.31

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Feb 24	Feb 21	Feb 20	Feb 19	Year ago
FT-SE 100 SHARE INDEX♦	2546.8	-12.9	2572.8	2544.1	2559.7	2542.3	2543.4	2536.7	2555.9	2322.2

FIXED INTEREST

PRICE INDICES	Tue Feb 25	Day's change %	Mon Feb 24	Accrued interest	xd adj. 1992 to date
British Government					
1 Up to 5 years (26)	122.56	+0.06	122.48	1.96	1.65
2 5-15 years (26)	136.86	+0.20	136.59	1.70	2.94
3 Over 15 years (9)	148.59	+0.34	148.08	2.64	0.88
4 Irredeemables (6)	163.92	+0.19	163.60	2.34	1.14
5 All stocks (67)	134.95	+0.17	134.72	1.93	2.31
Index-Linked					
6 Up to 5 years (2)	169.42	+0.04	169.34	0.11	1.37
7 Over 5 years (9)	149.03	+0.06	148.94	0.59	0.90
8 All stocks (11)	150.71	+0.06	150.62	0.53	0.95
9 Debs & Loans (62)	118.09	-0.07	118.09	1.94	2.07

AVERAGE GROSS REDEMPTION YIELDS		Tue Feb 25	Mon Feb 24	Year ago (approx.)
British Government				
1 Low	5 years	8.56	8.59	9.29
2 Coupons	15 years	9.13	9.15	9.49
3 (0%-7¾%)	20 years	9.15	9.16	9.76
4 Medium	5 years	9.39	9.41	10.14
5 Coupons	15 years	9.20	9.24	9.96
6 (8%-10¾%)	20 years	9.16	9.20	9.90
7 High	5 years	9.62	9.64	10.30
8 Coupons	15 years	9.30	9.34	10.12
9 (11%-)	20 years	9.24	9.27	10.01
10 Irredeemables		9.34	9.36	9.91
Index-Linked				
11 Inflation rate 5%	Up to 5yrs	3.65	3.65	3.75
12 Inflation rate 5%	Over 5yrs	4.30	4.31	4.16
13 Inflation rate 10%	Up to 5yrs	2.96	2.97	2.29
14 Inflation rate 10%	Over 5yrs	4.12	4.12	3.98
15 Debs &	5 years	10.85	10.86	11.98
16 Loans	15 years	10.62	10.63	11.66
17	25 years	10.46	10.46	11.42

♦Opening index 2563.6; 9 am 2561.1; 10 am 2571.2; 11 am 2563.1; Noon 2560.1; 1 pm 2560.6; 2 pm 2564.3; 2.30 pm 2563.3; 3 pm 2561.9; 4 10 pm 2547.5 (a) 9.40am (b) 3.56pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel 071-925 2323.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	63	1	17
Other Fixed Interest	12	0	5
Commercial, Industrial	201	257	1,019
Financial & Property	119	100	573
Oil & Gas	14	20	58
Plantations	1	1	7
Mines	24	30	96
Others	43	42	46
Totals	477	451	1,821

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Feb. 17
- Last Dealings Feb. 28
- Last Declarations May 28
- For settlement June 8

3-month call rate indications are shown on this page.

Calls in Brent Walker, Costain, Flextech, Great Western Res., Hanson warrants, MSM, Ratners, Trecherwood and Wembley. Puts in Brown Shipley, Greycoat and George Wimpey.

LONDON TRADED OPTIONS

[illegible]

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS		Charter Cons.	40	Ladbroke	17	Sears	7½	**■ OILS**	
Allied-Lyons	35	Comm Union	33	Legal & Gen	31	SmKl Bchm A	31	Aviva Pet	1¼
Amstrad	-	Courtaulds	38	Lex Service	18	TI	40	BP	22
Asda	5	Eurotunnel	5½	Lloyds Bank	31	TSB	10½	Burmah Castrol	40
Astec (BSR)	6	FKI	12	Lonrho	10	Tesco	17	Conroy Pet	7½
BAT Inds	50	FNFC	-	Lucas Inds	13	Thorn EMI	50	Gaelic Res	3
BOC	40	Forte	15	Marks Spencer	18	T & N	16	Premier Cons	3
BTR	20	GKN	25	Midland Bank	30	Unilever	70	Shell	37
Barclays	35	Gen Accident	22	NatWest Bank	30	Vickers	14	Tuskar Res	1
Blue Circle	20	GEC	12	P & O Dfd	40	Wellcome	75	**■ MINES**	
Boots	25	Glaxo	70	Racal Elect	4½	**■ PROPERTY**		RTZ	39
Bowater	32	Grand Met	40	RHM	18	Brit Land	21		
Brit Aerospace	27	GRE	18	Rank Org	23	Land Sec.	33		
British Steel	8	Hanson	13	Ratners	5	MEPC	31		
Brit Telecom	24	ICI	60	Reed Intl	40	Mountleigh	2½		
Cadburys	33								

SB breaches the £1bn barrier with 17% rise

By Paul Abrahams

SMITHKLINE BEECHAM, the Anglo-American pharmaceuticals and consumer products group, has broken the £1bn profits barrier for the first time.

Pre-tax profits increased 17 per cent from £860m to £1bn *for the year* to December 31 1991.

The group's turnover fell 2 per cent from £4.76bn to £4.68bn following disposals, adverse currency effects, and what Mr Robert Bauman, chief executive, described as "tough" trading conditions in the US consumer market.

Nonetheless, overall revenues from continuing operations rose 4 per cent, while trading profit increased 13 per cent.

Sales performance of established drugs was mixed: Tagamet, the anti-ulcer product, fell 2 per cent *to £620m*; Dyazide fell 11 per cent to £148m: Amoxil, an antibiotic, increased 9 per cent to £243m. The company was forced to offer £56m discounts in the US.

Among the newer products, Augmentin increased sales by 24 per cent to £504m and Seroxat, an anti-depressant, gained 10.7 per cent of the UK market by value.

Clinical laboratories operations increased *sales* 18 per cent to £539m and profits 24 per cent to £68m.

The animal health business achieved a 4 per cent increase in sales to £318m and a 9 per cent rise in trading profits to £63m.

Sales in the US consumer division fell 9 per cent as customers ran down their stocks.

Mr Hugh Collum, finance director, announced the company wanted to split its A and B shares on a 2-for-1 basis to increase liquidity and help smaller shareholders.

The equity unit is also to be divided to comprise one split B share and a reduced preferred share to make the A shares and the equity unit more easily comparable.

The changes will be put to shareholders at the annual meeting in May.

Earnings per share increased 17 per cent from 41p to 48p and earnings per equity unit from 205p to 240p. A quarterly dividend of 4.15p per A ordinary share, equivalent to 48.49 cents per equity unit is declared.

■ COMMENT

SmithKline executives spent much of yesterday patting themselves on the back for completing a highly successful merger in the space of little more than two years. Their self-congratulations were justified, but the more difficult task of generating organic growth remains before them. The most pressing question is whether the new generation of drugs will be able to compensate for those reaching or having reached the end of their patents. An increase in pharmaceuticals sales of only 4 per cent is decidedly sedentary compared with other companies and the outlook in Japan looks more than tricky with further hefty price-cuts in the pipeline. On the upside, the stock is likely to be less vulnerable to a move out of pharmaceutical companies into cyclicals because of its consumer products division. Hoare Govett maintained its profits forecast of £1.14bn for 1992.

WPP wins $115m Mercedes contract

By Gary Mead, Marketing Correspondent

MERCEDES-BENZ of North America has signed an advertising deal worth some $115m (£65.7m) with the New York agency Scali McCabe Sloves, part of the UK-based WPP group.

The deal, by far the largest signed in the US for many months, makes Scali responsible for all forms of Mercedes' North American advertising, including direct marketing.

Scali's success provides a much needed fillip for WPP, the world's largest marketing services agency.

It is also welcome news for Scali. In November 1990 it resigned Volvo's $40m account, which it had run for 23 years.

This brought about a 99½p plummet in WPP's share price, and followed revelations that one of Scali's Volvo commercials had been rigged: Volvos had been strengthened before undergoing a test in which trucks were driven over them.

Negotiations are still proceeding over WPP's disposal of Scali, a move which was agreed when WPP first acquired the agency in May 1989 as part of its purchase of the Ogilvy & Mather group.

Size is strength as customers suffer

Robert Peston on NatWest's ability to beat record bad debt charges

NATIONAL Westminster Bank demonstrated yesterday when publishing its 1991 results that it is both one of Britain's strongest businesses and one of its weakest.

Pre-tax profits fell 78 per cent from £504m to £110m due to a bad debt charge of £1.99bn, which included the biggest losses ever incurred by a UK bank on its domestic lending.

However, the group was able to remain in profit because of a sharp increase in income, excluding bad debt charges. The trading surplus rose 20 per cent to £2bn, in large part because of a 28 per cent rise in commission income.

The strength and the weakness are to some extent two sides of the same coin, stemming from the sheer size of the organisation. NatWest has for years been the leading lender to small and medium size businesses, which have been hit particularly hard by the recession. As a result, it could never hope to escape from the loan losses afflicting all banks.

But the losses were exacerbated by weak management, as Lord Alexander, chairman, admitted when saying that there had been "departures from the principles of sound lending". The bank lent too much to too many insubstantial businesses.

Mr Tom Frost, chief executive, highlighted growth in the loan book at the end of 1988, when seven years of UK economic growth were drawing to a close, as a particular mistake.

Improvements in the management of most UK banks lagged behind modernisation of other industries because banks had been protected from competition till a decade ago.

Lord Alexander, left, and Tom Frost: raising tariffs

Even today, their ostensibly special role within the UK economy means that the Bank of England still gives them protection from the market disciplines of being vulnerable to a hostile takeover bid or bankruptcy.

However, NatWest's disproportionate economic power, or oligopolistic position, was also its salvation last year. Most UK companies, *open to intense* competition, found it difficult to increase revenues during the recessionary conditions of the past year.

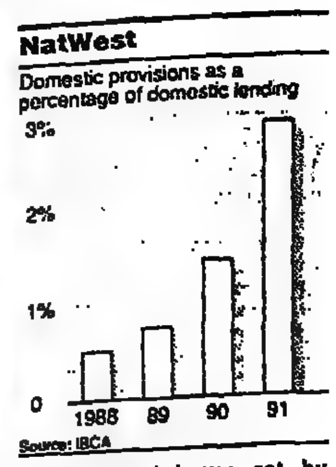
But Lord Alexander said that NatWest put in place higher tariff levels and, with the help of new technology, made sure that an increased number of eligible customers paid their charges.

As a result, UK branch customers, not including the biggest *corporate customers*, paid commissions of £1.33bn last year, 24 per cent higher than in the previous year.

The underlying strength of the business was what persuaded the board to maintain its full-year dividend at 17.5p, even though earnings per share were significantly lower at 3p, against 13p.

*The group is having to with*draw £220m from reserves to meet the £285m cost of the dividend.

The balance sheet remains strong compared with many of its international competitors. The ratio of capital to assets, measured on the new international basis, known as the Basle convergence ratio, is 9.6 per cent, well above the 8 per cent minimum set by regulators.



The ratio rose during the year, largely because the bank raised £466m of new capital through issues of non-cumulative preference shares and subordinated debt. There was also a fall in risk-weighted assets, or assets revalued to take account of their inherent riskiness.

This drop in loans and other assets was no accident, *according to Mr Derek Wanless*, a director. He said that all executives had been under instructions to cut the bank's exposure to low yielding assets.

This emphasis on profitability is symptomatic of Lord Alexander's attempts to enforce a sweeping cultural change, which has involved a series of senior personnel changes and a reorganisation of the divisional structure.

"We need to become a business, not a [philanthropic] institution," he said. NatWest's shareholders will applaud him. Customers paying higher charges may not.

Difficult trading hits Sedgwick

By Richard Lapper

DIFFICULT trading conditions in the London insurance market were the main factor in a fall in pre-exceptional profits at Sedgwick Group, the international insurance broker.

Pre-tax profits amounted to £82.4m, compared with £90.7m before an exceptional charge of £21.4m reduced profits to £69.3m in 1990.

There was a slight rise in operating income to £621.9m but the reduction in interest rates resulted in a fall of £7.2m in investment income, while adverse movements in *exchange rates depressed prof*its by a further £4.1m.

The US subsidiary performed well for a 23 per cent increase in profit despite depressed insurance rates and a slight fall in operating income.

However, difficulties in the London insurance market depressed profitability with the results showing a 7 per cent fall to £43.6m.

A contraction in capacity at the London reinsurance market led to a 5 per cent fall in *income at EW Payne, the rein*surance broking subsidiary.

The fall in profits at the Lloyd's underwriting agent subsidiary's to £500,000, compared with £5.2m, reflected the reduction in commission paid by Names in 1988, when the Lloyd's market produced its first overall loss for 20 years.

Earnings per share were *12.8p, compared with 10.4p in* 1990. A final dividend of 8p is proposed for an unchanged total of 12p.

■ COMMENT

Although falling interest rates and the weakness of the dollar are adversely affecting profitability, the good news from yesterday's results is that Sedgwick has costs firmly under control. And with more than 36 per cent of its income generated in the US, the group *is well placed to benefit from* the long awaited turnround in insurance rates there. Unfortunately that prospect is still somewhat distant judging by the pessimistic views yesterday of Sedgwick's senior executives. Even so with margins in the group's retail worldwide operations improving and rates in some sectors of the London *market rising strongly, profits* should increase after last year's disappointing outcome. A pre-tax outcome of £90m is possible, a result, which on today's closing price of 212p, puts the share on a prospective p/e of just over 15, a little less than the average for the sector.

GrandMet plans share split

Grand Metropolitan, the food, drinks and retailing group, is to make a 2-for-1 share split to give the shares "wider appeal," Sir Allen Sheppard, chairman, told the annual meeting.

Sir Allen forecast that the group's first half performance – excluding the one-off benefit of disposal of the Express Dairy and Eden Vale operations – should "be in line with last year."

City analysts reacted by trimming their full-year profits forecasts by about £40m to between £1.02bn and £1.04bn.

Holmes & Marchant shares fall as dividend is dropped

By Richard Gourlay

HOLMES & Marchant, the marketing services group, yesterday surprised the market by announcing it would not be paying a final dividend, just two months after the directors had forecast a maintained 3.3p payment.

The board said its bankers were reviewing the group's "current position and future plans". Holmes' share price dropped from 60p to 28p.

In December the group reported pre-tax prof*its of £2.1m for the year to end-September. Earn*ings per share were 7.3p and the directors recommended the maintained dividend. Combined with the interim dividend of 3.3p, the proposed dividend was only barely covered by earnings.

The dividend cut comes less than a year after a 1-for-3 rights issue to cut debt accumulated during a string of ambitious acquisitions.

Since the year-end results' announcement clients had reduced or indicated a reduction in their marketing budgets for 1992 which would hit cashflow, the group said. Neither was there any sign of recovery.

The group continued to trade within its bank*ing facilities*, Mr Emyr Jones, finance director, said. Its bank had not put any pressure on the company to cut the dividend, he said. "We took a tough decision."

Polly Peck administrator visits Cyprus

By David Barchard

The administrators of Polly Peck International, the collapsed fruit and electronics conglomerate, have renewed their efforts to get the Turkish Cypriot government to open the company's records on the island to them.

Mr Richard Stone of Coopers & Lybrand Deloitte, the administrator responsible for corporate finance, *arrives in* the Turkish-held sector of Cyprus today for talks with Mr Derviş Eroğlu, prime minister of the internationally-unrecognised Turkish Cypriot administration.

It will be the first time that Mr Stone, who has been trying to get Polly Peck's assets on the island unlocked since November 1990, has met the Turkish Cypriot leader.

Last year the administrators obtained a High Court order freezing £23m of assets held by the Turkish Cypriot Central Bank in London on the grounds that they appeared to have been improperly transferred from the company.

There is speculation in London that the order could be dropped if the Turkish Cypriot authorities open up the accounts to the administrators.

Addison seeks £14.75m to fund AGB purchase

By Raymond Snoddy

ADDISON Consultancy, the market research group, is paying £14.75m for the main businesses of AGB Research, part of the collapsed Maxwell private empire.

The price of the deal was revealed yesterday in a rights issue document designed to pay for the acquisition which will take Addison from sixth to top position in UK market research.

Preliminary agreement on the purchase was reached with administrators Arthur Andersen last month.

Addison, which trades as Taylor Nelson, will raise approximately £18.3m net from the rights issue which already has the support of more than 53 per cent of its shareholders.

This does not apparently include Lord Hollick's MAI group, which has 24.8 per cent of existing Addison stock. MAI *says it intends to sell if the* acquisition is completed.

Under the issue holders of ordinary shares will be offered new shares at 12p on a 9-for-4 basis.

The rights issue, which is conditional on shareholders' approval, has been underwritten by Robert Fleming, the merchant bank.

Trading in the shares of the enlarged group is expected to begin on March 13.

NatWest clashes with Maxwell pension funds

By Robert Peston and Norma Cohen

A *DISPUTE* has broken out between the Maxwell empire's beleaguered pension funds and National Westminster Bank over the ownership of shares worth £26m in Teva Pharmaceutical, an Israeli concern.

***NatWest said yesterday* that it had not made a decision on whether to keep the shares, in which the Maxwell pension funds claim an interest. Lord Alexander, NatWest's chairman, confirmed that the bank had been approached by Mr Neil Cooper of accountants Robson Rhodes, the provisional liquidator of Bishopsgate Investment Management, which acted as both manager and trustee of the Maxwell pension funds.**

Mr John Melbourn, a NatWest director, said the bank had been given no conclusive evidence that the shares were the property of the pension funds. He said the bank had been given the shares as security against a modest loan to the Maxwell private companies shortly after Mr Robert Maxwell died last November.

Mr Kevin Maxwell, Mr Robert Maxwell's son, had pledged the shares to NatWest. "We took them in good faith", said Mr Melbourn. "We cannot simply give them back without investigating the pension funds' claim. What would our shareholders say if we did?"

Rosebys floated with £21.3m tag

By Angus Foster

ROSEBYS, the curtain and linen stores group owned by Cattle's (Holdings), yesterday became the first retailer to seek a public listing for more than two years.

Shares in the company will begin trading on Monday following a placing by County NatWest of 10.2m new and existing shares with institutions at 115p. The placing price gives Rosebys a market capitalisation of £21.3m.

Cattle's, the financial services group, will retain about 45 per cent of Rosebys' enlarged share capital.

Mr Michael Rosenblatt, vice chairman, said margins had improved 20 per cent since 1988, partly due to sourcing from overseas. With wage and rental costs coming down, further savings were hoped for this year.

Pre-tax profits increased from £1.46m to £2.17m last year, while turnover rose slightly to £42.5m (£40.9m). The placing price puts the shares on a *p/e of 12.9 from earnings* per share of 8.9p last year. This compares to a multiple of 19 for QS Holdings, a much bigger company and the last specialist retailer to come to market.

Cattle's will receive total net funds of about £7.5m from the placing and from repayment of outstanding inter company loans. Cattle's is proposing a special dividend of 0.5p, payable with the final dividend for last year.

Rosebys will use £1.7m from the proceeds to finance the completion of a new distribu*tion centre. A further £1.7m* will be used to repay part of its overdraft.

MGN finance director astonishes MPs

By Norma Cohen

ASTONISHED MPs yesterday questioned Mr Lawrence Guest, chairman of the Mirror Group Newspapers Pension Fund's investments committee, after he testified that he did not know the ownership of companies in which the pension fund held stakes.

Mr Guest, who is also MGN's finance director, said he believed his role was simply to monitor the returns earned by the pension fund's various investment managers.

The MPs asked him how the fund had come to invest so heavily in entities related to Mr Robert Maxwell. Mr Guest, whose investments committee kept no minutes of its decisions, testified that he did not know the extent of the pension fund's self-investment until November 1991.

Prior to that, he relied on Bishopsgate Investment Management to provide valuations of what was in the fund and believed that self investment was no more than 7 to 8 per cent of the fund.

"I made no specific inquiries into who owned those companies," Mr Guest told the Select Committee – sparking titters of disbelief from MPs and audience alike.

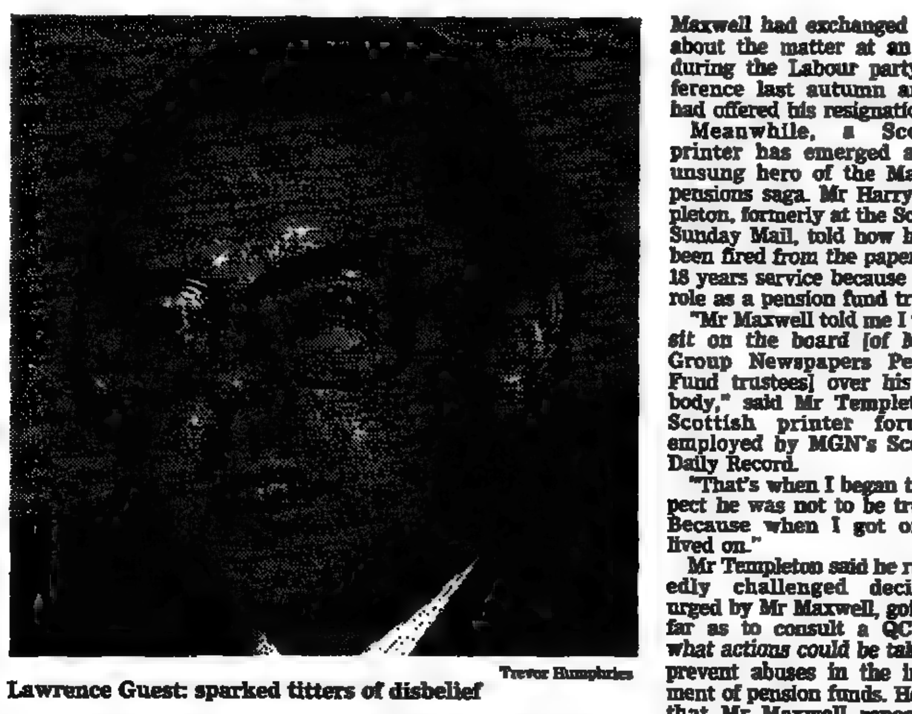
By April 1990, the MGN pension fund accounts showed that over 40 per cent of all investments were concentrated in 20 companies – over half of which had some connection with Mr Maxwell or his private interests. Mr Guest conceded that on one occasion at least, he had received a letter from an MGN pensioner asking about the unusual pattern of investments, but said he did not pursue the matter.

Other revealing testimony concerned Lord Donoughue, formerly a director of BIM. According to a letter from Lord Donoughue's solicitor, he was concerned about stock lending activities in early 1991 because they were done without his knowledge. The activities had not ceased by July 1991 and Lord Donoughue asked that the matter be brought to the attention of the trustees – a request Mr Maxwell rejected. Two weeks later, Lord Donoughue left the employ of BIM.

But his departure apparently went unheralded and unrecorded, even to pension fund trustees to whom he had to report.

Mr Ernest Burrington, then managing director of MGN and a trustee of the pension fund – and currently its chairman – said he noticed in the autumn that Lord Donoughue hadn't been around in some time. "I noticed he was missing," Mr Burrington testified. "It was a little like Argentina before the junta," he said – adding that he assumed Lord Donoughue had had a falling out with Mr Maxwell but didn't want to ask about it.

Mr Burrington testified that he had been about to resign from MGN over the missing funds and a lease arrangement the company had agreed which he felt was particularly disadvantageous for shareholders. Mr Burrington said he later learned that Mr Maxwell had borrowed funds against the lease. He said that he and Mr Maxwell had exchanged views about the matter at an hotel during the Labour party conference last autumn and he had offered his resignation.



Trevor Humphries

Lawrence Guest: sparked titters of disbelief

Meanwhile, a Scottish printer has emerged as the unsung hero of the Maxwell pensions saga. Mr Harry Templeton, formerly at the Scottish Sunday Mail, told how he had been fired from the paper after 18 years service because of his role as a pension fund trustee.

"Mr Maxwell told me I would sit on the board [of Mirror Group Newspapers Pension Fund trustees] over his dead body," said Mr Templeton, a Scottish printer formerly employed by MGN's Scottish Daily Record.

"That's when I began to suspect he was not to be trusted. Because when I got on, he lived on."

Mr Templeton said he repeatedly challenged decisions urged by Mr Maxwell, going so far as to consult a QC over what actions could be taken to prevent abuses in the investment of pension funds. He said that Mr Maxwell repeatedly threatened to wind up the fund if trustees questioned the way it was being operated.

Mr Templeton was sacked for "gross industrial misconduct" in 1986 and, except for a six-month stint that year, has not since worked in the newspaper business. Mr Templeton said he believed he had been blacklisted because of his role on the pension fund.

Minutes of MGN pension trustee meetings show that Mr Templeton's appointment was opposed by Mr Maxwell. Mr Templeton testified that of *those trustees appointed by management*, none ever voted against Mr Maxwell. "Some of them never even spoke," he said.

NEWS DIGEST

Italian move for Bank of Scotland

BANK OF Scotland is investing £6m in a 45 per cent stake in Finanziaria Italiana Mutui, which operates in the Italian residential mortgage market, writes James Buxton.

The move represents the *Edinburgh-based* bank's first move into mortgage lending in continental Europe.

FIM is an arm of Sopaf, the Milan-based investment holding company run by Mr Jody Vender. Sopaf intends to sell a further 10 per cent of FIM to a large Italian insurance company, believed to be SAI, a company controlled by Mr Salvatore Ligresti, the Italian entrepreneur.

Bank of Scotland sees the move as part of its policy of finding joint ventures in Europe where it can add its technological and mangement skills to local knowledge.

Two Bank of Scotland staff will join FIM and the bank will have three boardroom seats.

JD Wetherspoon seeks listing

JD Wetherspoon, the London pubs operator which yesterday announced first half pre-tax profits ahead from £432,000 to £1.01m, is to seek a Stock Exchange listing towards the end of the year.

It has appointed Kleinwort Benson to float 35 per cent of the company to raise about £15m.

Mr Tim Martin, the managing director who founded the company in 1979, said the flotation would help to accelerate expansion. During the past 13 years, the company has grown from one free house to an estate of 37 pubs with a turnover in the six months to January 26 of £9.6m.

B'ham Midshires falls 40% to £9.5m

Pre-tax profits at Birmingham Midshires, the building society, dropped by 40 per cent last year after loan loss provisions of £36.6m. Profits for 1991 were down from £15.9m to £9.5m. Bad debt provisions in 1990 were £13.5m.

During the year the society repossessed 1,542 homes, proportionately double the average for the industry size.

Total assets rose from £3.65bn to £3.74bn and reserves by £6.1m to £143.1m.

Cookson sells two offshoots for £7.5m

Cookson Group, the industrial materials company, is selling two wholly-owned subsidiaries to the US-based Titanium Industries for about £7.5m.

Combined net assets of the two offshoots – Titanium International and Reactive Metal Fabricators (Anston) – at December 31 amounted to approximately £2.6m. They incurred pre-tax losses of £164,000 on sales of £10.8m over *the year to that date*.

Murray Income net asset value at 251.3p

Net asset value per share at Murray Income Trust stood at 251.3p at December 31 against 223.2p a year earlier and 254.5p at the June year-end.

Net revenue for the six months improved from £4.03m to £4.34m for earnings per share of 5.2p (4.83p).

As already announced, an interim dividend of 6.6p (6.3p) is payable in three equal instalments, with the next payments due on April 24 and July 31. A final of 4p (3.6p) is anticipated and directors now forecast an interim dividend for the year to June 1993 of 6.75p.

River & Mercantile Smaller Companies

River & Mercantile Smaller Companies Trust reported net asset value of 107.7p per share as at January 31, ahead from 94.39p at the same stage of 1990 and from 105.68p at the trust's year end in July.

Net revenue for the six months to end-January was sharply lower at £254,000 (£759,000). Earnings per share emerged at 1.01p, against 3.04p, but the interim dividend is maintained at 1.25p.

South West Water joint waste venture

South West Water has formed a joint venture company with Weir Group to provide waste treatment equipment.

The new company – Rugged Environmental Technology Systems – will exploit a market for the treatment and disposal of industrial waste, sewage sludge and municipal refuse worth £2bn a year in the UK alone.

Strachan & Henshaw, a Weir subsidiary, and Peninsula Waste Technology, a South West Water offshoot, will each have a 50 per cent stake.

TR European Growth lower

The shunning of smaller European companies by investors resulted in net asset value at TR European Growth Trust falling to 94p at December 31 against 96.4p a year earlier and 106.3p at June 30.

Net revenue was £219,000 (£634,000) for earnings per share of 0.8p (1.72p).

TR High Income net assets up 9.5%

The net asset value of TR High Income Trust rose 9.5 per cent – from 86.5p to 94.7p – over the 12 months to December.

Net revenue amounted to £1.26m (£937,000) for earnings of 6.21p (6.23p) per share.

A fifth interim dividend of 0.8p maintains the total for the year at 6p on the increased capital following the rights issue last June.

Lloyd Bank's New Zealand arm ahead

National Bank of New Zealand, part of the Lloyds Bank group, reported a 22 per cent rise in net profit to NZ$82m (£25m) for 1991, despite higher provisions for doubtful debts, which rose from NZ$27m to NZ$38m.

The results represented a 14.2 per cent return on shareholders' funds, compared with 12.8 per cent last year. Mr John Anderson, chief executive, again denied rumours that the bank was for sale.

Fisons accounting policies cleared

Fisons has been cleared of questions regarding its 1990 accounts. The Financial Reporting Review Panel had been examining criticisms that the accounts did not disclose the basis of consolidation of the group accounts.

Fisons argued that consolidation requirements were defined in company legislation and it did not need a separate statement of policy.

The panel stressed last month that this did not remove the requirement to separately specify the accounting policies used.

UK COMPANY NEWS

Paint sales lift Kalon to £9.2m

By Jane Fuller

A BUMPER *last quarter for paint sales to DIY chains helped Kalon Group raise pre-tax profit by 57 per cent last year,* from £5.87m to £9.22m.

The group also benefited from the rapid growth of its *sundries range, including paint* stripper and adhesives. In the past two years annual sales have leapt from £2m to £10.6m.

Mr Mike Hennessy, managing director, said most of the products were supplied *in-house, so boosting margins.*

The improvement showed through at group operating level, where profit rose by 40 per cent to £9.18m (£6.54m) on sales up 13 per cent to £98.5m (£87m).

Interest turned from a £665,000 charge to a small income as year-end cash balances grew to £13.7m (£3.1m).

Virtually all the profit came from the decorative division, which made £10m pre-tax on *sales of £87.3m.*

Prices went up by 10 per cent early in the year, with wage and raw material inflation only 5 per cent.

Volume growth had flowed through especially in the last *quarter as DIY chains to which* Kalon supplies own label products mounted aggressive promotional campaigns.

In retail paint, the market was flat, but Kalon's volume was 18 per cent up and it claimed its market share improved from 22 to 27 per cent.

This partly reflected the greater proportion of the market – 36 rather than 31 per cent – taken by the stores' own label paint at the expense *of branded products.*

Losses were roughly doubled at three small, problematic divisions: chemicals, industrial coatings and Spain. Between them the deficit was £1.12m on turnover of £11.4m.

Top management has been changed in all three areas and Mr Hennessy said this was the year for "resolving" their future.

Earnings per share rose to 5.28p (3.64p). A final dividend *of 1.5p makes a total of 2.2p* (1.5p).

● COMMENT

With the DIY enthusiast flushed out of hibernation by the aggressive marketing of *B&Q and Texas Homecare, 1991* was the first year of serious volume growth since Kalon's in-the-red year in 1987. While the group's market leadership in own-label paint limits the scope for growth there, the *potential remains strong in* sundries and the expanding Leyland trade centre chain; and the resources are clearly available for acquisitions. All this makes the tiny loss-making divisions look even more incongruous. The crunch is coming when they must be either disposed of or expanded to a more viable size. Nevertheless, damage reduction by the new managers should help profits this year. With the pre-tax figure forecast to reach at least £11m, the prospective multiple of 16 is at a deserved *premium to the market.* But after a near tripling of the share price in the past 12 months, further growth will probably be medium term.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Addison ....fin	0.15	-	nil	0.15	nil
Kalon ....fin	1.5	May 1	1	2.2	1.5
Ldn Forfaiting ....fin	*5*	*Apr 3*	*4.025*	*7.625*	*7.25*
Mersey Docks ....fin	4	May 14	3.3	6	5
NatWest ....fin	11.375†	May 15	11.375	17.5	17.5
Paribas French ....fin	1.2	-	1.2	1.2	1.2
River/Merc Small ....int	1.25	Apr 3	1.25	-	3.75‡
Sedgwick ....fin	8	Apr 24	8	12	12
SmithKline ....fin	4.15	Apr 16	3.8	15.4	14
TR High Income ....fin	0.5	Apr 30	0.4	6†	6
Unilever ....fin	13.91	May 22	13.3	18.94	18.16

Dividends shown pence per share net except where otherwise stated. †On capital increased by rights and/or acquisition issues. ‡Excludes special of 0.37p.

StanChart sets up deal with First Interstate

By David Barchard

STANDARD Chartered, the UK banking group, and First Interstate Bancorp of Los Angeles yesterday announced *that they are to join forces in* three business areas by merging some of their operations.

No legal entities are involved and there is no payment by either side. However, some customers, tangible *assets, and banking assets will* be transferred to Standard Chartered.

The two sides have signed a letter of intent, but they will *carry out due diligence investigations and obtain regulatory consents before the deal is finalised.*

Mr Christopher Castleman, executive director financial services at Standard Chartered, said: "We regard this as being a very interesting *enhancement to areas of our* activity which are directly ones we want to grow with some very good people from First Interstate who will be joining us."

He said the deal would complement and reinforce Standard Chartered's existing core businesses and branch network in the Asia Pacific region.

The transfer of assets from First Interstate will not exceed £600m and is not expected to have an adverse affect on its capital strength.

Three business are involved in the deal: First Interstate's trade-related correspondent banking business, which is dominated by the Asia Pacific region but includes some Mexican business; corporate finance, principally some structuring of Mexican paper with Exim bank guarantees and securitised issues in the US; and a foreign exchange and securities sales and trading derivatives business.

Mr Castleman said that the new businesses would fit well into existing operations and were totally in line with the bank's strategy.

Mr Edward Carson, chairman and chief executive officer of First Interstate, said that the businesses had been consistently profitable. The transfer would allow it to focus on domestic markets.

Recession and Gulf war hold back Unilever profits

Guy de Jonquières analyses the facts and figures behind the static 1991 results

THE DEEPER-than-expected recession in the US and the UK coupled with the Gulf war, the collapse of the Soviet Union and adverse currency movements held Unilever to 1 per cent growth in pre-tax profits and sales volumes last year.

Nonetheless, the sluggish overall results were relieved by *some strong performances by* individual businesses. The company also continued to spend heavily on new products – backed by a 10 per cent increase in marketing expenditure to £2.3bn.

Unilever's overall operating margin declined from 9 per cent to 8.6 per cent. It said the fall was due to currency movements and the impact of exceptional gains on 1990's results. Before exceptionals, operating profit was £75m higher at constant exchange rates.

The year produced a particularly mixed picture in foods, Unilever's largest business, where operating profits were static at £1.06bn on sales of £11.9bn (£11.6bn).

Consumer foods performed well, particularly in Europe, where ice-cream sales exceeded 1990's record levels.

Prepared meals, sauces and edible fats – particularly *European healthy eating* ranges – all enjoyed good growth, though tea faced increasingly fierce competition.

However, these positive developments were offset by a *decline in results from food* service and catering supply operations, which were hard-hit by the effects of the Gulf war on travel and the restaurant trade. Though the business recovered in Europe later *in the year, it remained* depressed in the US by recession.

Unilever also said its exports to the Soviet Union suffered from the political and economic upheavals there. The *company was, however,* steadily expanding its presence in eastern and central Europe, where it expected to make further acquisitions and investments in the coming months.

A rapid rate of innovation, *notably in concentrated washing powders,* helped detergents to increase sales volumes and market share.

Operating profit rose to £374m (£365m) on sales of £5.2bn (£4.98bn), reflecting *margin improvements due to* cost reductions.

Operating profit on personal products fell to £243m (£272m) on sales of £2.82bn (£2.72bn), reflecting lower duty-free sales of prestige lines and weaker US *demand for mass-market products.*

In contrast, prestige brands such as Ralph Lauren and Elizabeth Arden's top-of-the-range cosmetics had an "excellent" year, recording double-digit sales increases.

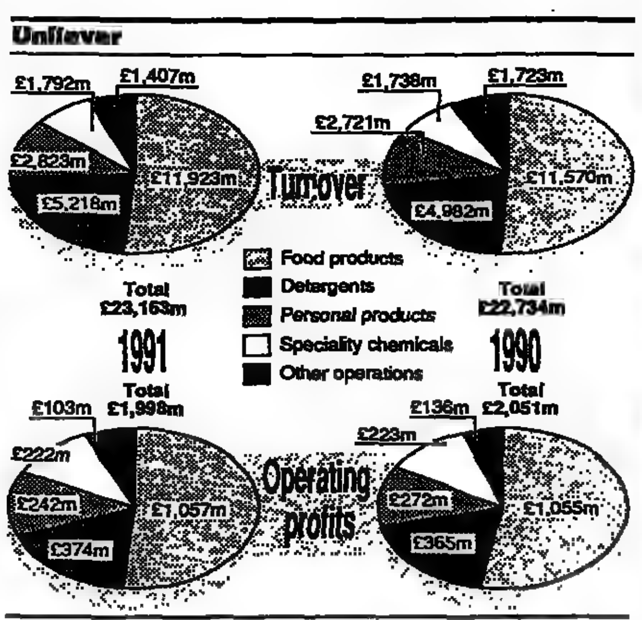
Action was under way to improve Elizabeth Arden's efficiency. Sales of Chesebrough-Ponds, Unilever's US subsidiary, also fell "materially" last year. A management reorganisation was expected to produce increased profits this year.

The group said the reorganisation of its *European businesses in preparation for the* single market was proceeding well. About half the £195m after-tax charge it had made for European restructuring had been committed, and a total of 60 projects had been identified.

Events in the Middle East and the Soviet Union disrupted the speciality chemicals business, which turned in flat profits of £222m (£223m) on sales of *£1.79bn (£1.74bn). Nonetheless,* National Starch enjoyed an excellent performance – though Unichema International and Crosfield encountered more difficult conditions.

Unilever said it had significantly improved its position in Japan, though it was continuing to make losses there which had been magnified by the strength of the yen. The company said it was determined to remain in "key Japanese markets" over the long term.

The company said its businesses in Chile, Argentina, India and South Africa all enjoyed an "excellent" year.



Sir Michael Angus, the group's retiring chairman

Mersey Docks at record £13m

By Ian Hamilton Fazey, Northern Correspondent

THE MERSEY Docks and Harbour Company defied recession in 1991 with pre-tax profits ahead 22 per cent, from £10.8m *to a record £13.2m. Turnover* advanced 27 per cent to £69.5m.

The company, which operates the Port of Liverpool, won new business to push cargo volume up 7 per cent to a new high of nearly 25m tonnes.

Earnings per share fell to 16.98p (17.92p), but only because the company had to *make provision for tax for the* first time after using up allowances from 13 years of losses up to 1984. Earnings would otherwise have been 22p. A proposed final dividend of 4p lifts the year's total by 1p to 6p.

The company, which returned to the dividend list two years ago after the government had written off more than £100m of debts incurred in restructuring, has increased *profits by more than 50 per* cent since 1989.

Mr Bill Slater, chairman, said that Liverpool was now able to exploit both its position as Britain's last large west coast port and the improved infrastructure of northern England and the Midlands when compared with the over-*crowded south-east.*

This made it cheaper to use Liverpool for many cargoes because of lower land haulage costs and easier access. He predicted that competitive pressures would force closure of "a major port" in an arc running from East Anglia to the Solent during the next five years.

He forecast Liverpool's position would improve further as it developed as a hub for *grouped container traffic.*

The company had also developed property in its disused docklands on both the Liverpool and Birkenhead sides of the Mersey, involving a business park and conversion of old warehouses into luxury apartments that had sold well.

Property assets were reval-*ued on December 31 at £119.7m,* giving rise to revaluation surplus of £69m over their previous 1981 book value.

Mr Slater said the government had still not indicated when it might fulfil its declared intent to sell its 20 per cent stake.

London Forfaiting rises by 67% to top £15m

By Angus Foster

LONDON Forfaiting Company, *the specialist trade finance* house, yesterday reported a 67 per cent increase in pre-tax profits to £15.1m in the 1991 year.

The previous year's profit was £9.05m.

Mr Jack Wilson, chief executive, said the improvement stemmed from concentrating *on the core forfaiting business* while withdrawing from areas such as project finance and Eurobonds.

Forfaiting is the provision of trade finance through fixed rate loans which are sold at a discount to investors such as banks.

Trading income increased *from £11.8m to £17.3m and net* interest received increased to 4.80m (£3.09m).

Earnings per share more than doubled to 11.52p (5.71p).

An increased final dividend of 5p is recommended, making a total for the year of 7.625p (7.25p).

The company said its Middle *East operations, based in* Cyprus, increased profits following the ending of the Gulf war.

The Hong Kong office and Italian subsidiary performed well. It has also established a representative office in New York.

Unilever 1991

PRELIMINARY RESULTS

FULL YEAR. In spite of difficult conditions in some of our major markets 1991 was a year of progress. Sales increased by 4% and net profit on ordinary activities rose by 7% over 1990, at constant rates of exchange.

Volume in our consumer businesses grew but this was largely offset by a decline in industrial volumes. In comparison with 1990, when the results benefited from exceptional gains, operating profit remained flat. Before exceptional items, however, operating profit at constant rates of exchange was £75 million above 1990. Profit before tax rose by 4% compared to the previous year as strong cash flows led to a reduction of borrowings and hence interest charges.

At the average exchange rates prevailing in each year, the increase in net profit on ordinary activities over 1990 was 4% in sterling, 5% in guilders and 2% in dollars.

RESULTS	1991	1990	Increase/ (Decrease)	Increase/ (Decrease) Constant rates
	£m unaudited			
Turnover	23,163	22,734	2%	4%
Operating profit	1,998	2,051	(3)%	–
Profit before taxation	1,792	1,782	1%	4%
Taxation	(583)	(613)		
Outside interests	(57)	(57)		
Net profit before extraordinary items	1,152	1,112	4%	7%
Extraordinary items	1	(195)		
Net profit after extraordinary items	1,153	917	26%	
Dividends on ordinary capital	(420)	(405)		
Combined earnings per share per 5p of ordinary capital excluding extraordinary items	61.62p	59.52p	4%	

OPERATIONS. In Europe operating profit increased by 3% at constant rates of exchange. Our consumer foods businesses increased sales and profit with strong performances from oil and dairy based foods and ice cream. Our detergents operation also made a significant contribution to the overall improvement. Progress in these businesses has been based on successful product innovation and cost reduction, and margins have strengthened. Industrial markets in foods were weak and this depressed results. Sales increased in personal products, although profit was restrained by lower duty free sales in the prestige sector and reduced margins in colour cosmetics.

In North America operating profit fell short of that of 1990. Whilst trading conditions remained difficult the performance of most of our businesses, notably our foods operations, improved in the course of the year.

In detergents, investment in major product launches lifted sales and market shares but reduced profits. Our personal products business had a difficult year. In mass markets lower demand, together with the costs of restructuring, depressed results. In the prestige sector new product launches achieved significant gains in sales but not yet in profits. Our speciality chemicals business did well to hold profits at the 1990 level.

In the Rest of the World we achieved a significant increase in sales. There were particularly good results from our detergents and personal products operations most notably in Latin America and South East Asia. The reduction in margin at current rates of exchange was due to currency movements and exceptional gains in 1990.

EXTRAORDINARY ITEMS. The fourth quarter results of 1991 include an extraordinary gain of £1 million, net of tax, on withdrawal from certain business segments. This comprises an extraordinary profit of £61 million less an extraordinary charge of £60 million. The extraordinary profit relates to the disposal of the 4P Group, which represents our exit from packaging. The extraordinary charge arises on withdrawal from those agribusiness activities which do not support the Group's core businesses. This includes the reinstatement of attributable goodwill written off on purchase.

The Fourth Quarter results of 1990 included an extraordinary charge of £195 million, net of tax, relating to our Single European Market programme.

Following Dutch accounting practice and developments in the UK, we have also quoted earnings per share after extraordinary items for both years.

DIVIDENDS

		1991	1990
PLC per 5p ordinary	-final	13.91p	13.30p
	-total	18.94p	18.16p
N.V. per Fl.4 ordinary	-final	Fl. 4.08	Fl. 3.83
	-total	Fl. 5.56	Fl. 5.27

Rates are equivalent in value at the rate of exchange applied in terms of the Equalisation Agreement between the companies. Should there be a change in the current rate of Advance Corporation Tax, the PLC dividend will be adjusted.

The PLC final dividend will be paid on 22 May 1992 to shareholders registered on 16 April 1992.

The N.V. final dividend will be payable as from 22 May 1992.

The Annual Review and Annual Accounts for 1991 will be published on 14 April 1992. The results for the first quarter 1992 will be announced on Friday 15 May 1992.

For copies of results statements telephone Freephone 0800 181 891 or write to: Unilever External Affairs Department, P.O. Box 68, Unilever House, London EC4P 4BQ or, for Guilder version, P.O. Box 760, 3000 DK Rotterdam.

Unilever

FINANCIAL TIMES WEDNESDAY FEBRUARY 26 1992

COMMODITIES AND AGRICULTURE

Platinum price see-saws amid catalyst confusion

By Kenneth Gooding, Mining Correspondent

PLATINUM'S PRICE plunged and then bounced back again yesterday as confusion reigned in the market about an announcement by Corning, the US group, that it had developed an automotive catalyst that could meet the tough 1997 emissions standards fixed by California.

Corning said its catalyst used extruded powdered aluminium and ceramics. As more than 41 per cent of total platinum demand comes from automotive catalysts, there was some panic selling of the metal in London and on the New York Commodity Exchange.

This caused platinum to drop by nearly $4 a troy ounce to $354 in London at one stage. However, after Corning clarified its announcement and pointed out that its technology would be added to catalysts using platinum, the price rebounded to close in London at $359.50, up $1.75 from Monday's close.

Corning's catalyst "is not a problem for the market," said Mr Jeremy Coombes, analyst at Johnson Matthey, the world's biggest platinum marketing group. "This technology will enable platinum catalysts to meet the demanding Californian regulations."

Analysts in New York suggested platinum there also felt the impact of an announcement by the Conference Board, an independent economic research group, showing its US consumer confidence index at the lowest point for 17 years. "The [US] economy is not expanding and that is what's hurting platinum, said Mr William O'Neill, senior futures strategist with Merrill Lynch.

Norway to retain lead in North Sea oil production

By Karen Fossli in Oslo

NORWAY WILL retain its top position as Europe's biggest crude oil producer throughout the decade with daily average output peaking in 1994 at a rate of 2.5m barrels, according to a report to be released this week by Edinburgh-based analyst County NatWest WoodMac.

North Sea production of oil and natural gas liquids is forecast by WoodMac to average a new record level of about 4.31m barrels a day in 1992. This will be achieved by a revival in UK output to 1.94m b/d this year from 1.76m in 1991, a 12 per cent production increase by Norway and an 8 per cent advance by Denmark.

In January Norwegian production of oil and natural gas liquids surged to a record level of 2.26m b/d from 2.11m b/d in December.

Last year WoodMac forecast correctly that Norway would overtake Britain as Europe's biggest producer, with daily average production rising by 13 per cent to 1.95m barrels, contributing 85 per cent of total north west Europe area production outside the UK. Norway's advance in 1991 was helped by the country's share of the Statfjord field increasing, partly because of reallocation of the field and the payback of overliftings by UK partners. In addition, oil production from the Oseberg field was boosted to a plateau level of 450,000 b/d when 23,000 b/d was added by two new satellite fields. Also contributing to the rise was an intensive development drilling programme in the Gullfaks field. WoodMac expects oil production from Gullfaks to rise substantially this year to 400,000 b/d. Oil production from the Hod field was higher than expected in 1991 and will be maintained at about 28,000 barrels a day, according to the report.

EC denies Canadian fish charge

THE EUROPEAN Commission yesterday strongly denied Canadian suggestions that overfishing by EC vessels outside its 200-mile limit was a major factor in the severe depletion of its fish stocks, writes David Gardner in Brussels.

Canada announced on Monday a 35 per cent cut in this year's northern cod quota to 120,000 tonnes, immediately closing the winter fishery for offshore trawlers inside Canadian waters.

Canadian officials say Spanish and Portuguese vessels last year took 42,000 tonnes of cod from the so-called 2J3KL area of the Northwest Atlantic Fisheries Organisation. The EC quota, which it sets unilaterally, was 27,000 tonnes, and only 21,500 tonnes were reported to the community, the officials claim.

They argue that this has a knock-on effect, exacerbating stock depletion inside Canadian waters and adding to unemployment in Newfoundland. A Canadian scientific body last week cut its estimate of the spawning stock from 1.1m tonnes in December to 780,000 tonnes.

Commission officials argue that, even if Canada is correct, it is "outrageous" to suggest that the EC's extra 15,000 tonnes was responsible. "The cause of the problem in Canadian waters is overfishing by the Canadian fleet . . . Just as the overfishing in Scottish waters is the result of the overcapacity of the Scottish fleet." an official said.

Foot and mouth alert in Wales

VETS were last night investigating a suspected outbreak of foot and mouth disease on a Welsh farm.

Livestock movements have been banned within a five-mile radius of the the farm, in the Meidrim area, near Carmarthen, Dyfed, while laboratory tests are carried out.

Tissue samples are being analysed at the Institute of Animal Health laboratories at Pirbright, Surrey.

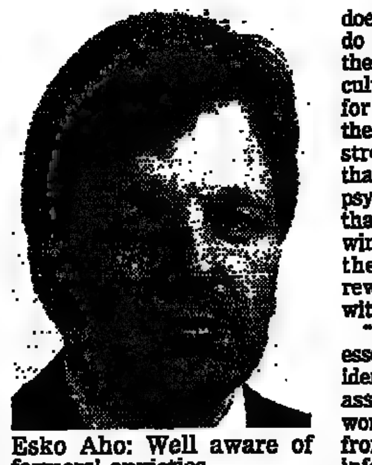
Finnish farmers fear the CAP will not fit

Robert Taylor examines the problems posed by the prospect of EC membership

THE FUTURE of Finnish agriculture looks like the only serious obstacle standing in the way of successful negotiations to take Finland into membership of the European Community.

Tomorrow the centre-right coalition cabinet is expected to agree on making a formal entry application and after a debate and vote in Parliament this will be forwarded to Brussels by the middle of next month.

But Mr Esko Aho, the prime minister, as leader of the rurally-based Centre party is well aware of the deep anxieties among many Finnish farmers, especially in the north and central areas of the country, who fear they may lose their livelihoods if Finland adopts the EC's common agricultural policy. In fact, his Centre party is split badly over the EC issue.



Esko Aho: Well aware of farmers' anxieties

Concern about agriculture is shared by other politicians. President Mauno Koivisto in his opening address to the new session of parliament nearly a fortnight ago drew public attention to the need for Finnish farmers to receive some special treatment if the country joins the EC. "It is important for Finland that rural areas remain settled and agriculture viable," he told MPs. He added, however: "Successful pursuit of these ends may be easier in a European framework than alone with our own resources".

"We have to make a big reform in agriculture," admits Mr Pertti Salolainen, the trade minister and leader of Finland's Conservative party. "The aim must be to maintain self-sufficiency but get rid of export subsidies and surpluses by moving to a lower level of production. However we will need quite a long transition period in the EC for our agriculture to adapt, perhaps at least 10 years."

Finland's still influential Central Union of Agricultural Producers – the main lobbying force of the farming community – is already campaigning openly against the idea of the country's EC membership. "As the backbone of thriving rural communities agriculture with forestry is a vital part of Finnish economic life," explains Mr Heikki Haavisto, the organisation's chairman.

It must be admitted that only an estimated 8 per cent of the land surface of Finland is suitable for arable farming and agriculture accounts for only 3.9 per cent of the country's gross domestic product and 7 per cent of the workforce – about 170,000 out of 2.5m. But the small size of the sector does not mean that Finns who do not earn their living from the land are ready to see agriculture sacrificed as the price for EC membership. Indeed, the farmers are able to tap a strong sense of nationhood that lies deep in the Finnish psyche. It is no trivial point that the heroes of Finland's winter war of 1939-1940 against the Soviet Union were rewarded for their bravery with portions of land.

"The countryside is an essential part of our national identity and cultural heritage," asserts Mr Haavisto. In the words of a recent publication from Finland's agricultural information centre: "Finnish national character is based on a close relationship with the surrounding natural environment and wilds – some might even say we come from the woods. Ancient folklore embodied a mythical relationship between the earth and the forest. Finns live on the borderline between east and west, between field and forest".

The experience of the second world war, when Finland was forced to fight for its own survival alone, strengthened belief in the need for food self-sufficiency and parity in development between the incomes of farmers and wage earners.

In the far northern parts of the country Finland's farming difficulties are exacerbated by low temperatures and an annual growing season of only about 175 days. This has helped to ensure that agriculture is well supported through an elaborate regime of stringent import quotas, even on fruit like oranges and bananas that cannot grow in Finland, as well as export subsidies to bridge the gap between world market prices and domestic producer prices.

The expense of all this for the Finnish taxpayer is considerable. Agricultural support amounts to over 4 per cent of the country's gross domestic product and subsidies add up to an estimated FM1,500 (£190) per head of population. In 1990 the ratio of the producer subsidy equivalent to the value of agricultural output was 73 per cent, compared with 78 per cent in Norway and 77 per cent in Switzerland but an average of only 47 per cent in the EC. At the same time producer prices in Finland are higher than almost anywhere else in the world and twice the EC average.

Yet farming is hardly a lucrative business in Finland, which is a country of small farms. The average size is 14 hectares (34 acres) and nearly 60 per cent have under 10 hectares of arable land. The farmers, whose average age is 55, eke out a living almost like an endangered species.

"We simply cannot compete with central European agriculture in the production and sale of milk, meat and cereals," admits Mr Aho's chief policy adviser. "Finland has too many small farmers in the far north producing too much," says Mr Haavisto at the agricultural producers association.

In a free market for farm produce like the EC Finnish farmers would find it hard to survive as food prices in the country would fall dramatically to EC levels that are only half those in Finland.

"We agree with the principles and objectives laid down in the Treaty of Rome on agriculture. That is all we want too. We are not asking for anything new but an agreement where the common agricultural policy can be implemented in Finland. Every time a new state has joined the EC the policy has been adjusted," argues Mr Aho's adviser.

A recent study of the pros and cons of EC membership for the Finnish economy commissioned by the government pointed out that agriculture ought to benefit from the EC's regional support policies and that Spain and Portugal were able to negotiate adjustment periods in their EC entry terms of 10 years.

Finland will be a net contributor of about FM6bn to the EC budget as an affluent society with a strong industrial and service base. But the policymakers are convinced that Brussels will recognise the special needs of Finnish agriculture. "The EC may not be life and death for our farmers but it will bring major structural changes," admits Mr Aho's adviser.

Whether Finland is in or out of the EC the country's farming is expected to contract severely in the 1990s, with the number of farms halving over the next eight years. At the moment EC membership may seem the biggest threat to Finnish farmers, but the General Agreement on Tariffs and Trade's liberalising Uruguay round looks even more alarming. The country's days of isolationist self-sufficiency are drawing to a close whatever happens.

India to become rubber exporter

By Kunal Bose in Cochin

INDIA, THE fourth largest producer of natural rubber but traditionally an importer, is to become an exporter of the commodity this year.

Faced with an unexpected surplus, the government has authorised growers and traders to export 14,000 tonnes by the end of March. In addition, the State Trading Corporation has been given permission to export RMA-5 grade rubber from its stocks. Exports in 1991-92 are expected to total about 20,000 tonnes.

According to Mr K. Ahmedullah, executive director of Harrisons Malayalam, the country's largest rubber producer, India should find markets for its rubber in the West as well as in the East. Substantial devaluation of the Indian currency and liberal export incentives have made rubber exporting a practical proposition.

The Indian government took a long time to arrive at the export decision as the rubber consuming industries, particularly the automotive tyre manufacturers, which have a strong lobby, were opposed to the idea. But as the rubber prices stubbornly remained below the "floor" level even after the price support operation by STC, the only course left open to the government to shore up prices was to allow exports.

Mr K.J. Joseph, secretary of the Association of Planters of Kerala, says a sharp fall in the demand growth rate for rubber, specially from the tyre industry, which is facing severe recession, has coincided with a steep rise in production. The latest forecast is that rubber production in 1991-92 (April-March) will be 375,000 tonnes, compared with 329,615 tonnes last year, while consumption is expected to rise from 364,310 tonnes to about 375,000 tonnes.

That would imply a perfect match between production and consumption. But, as Mr Joseph points out, the problem arose with the current season's opening stock of 86,000 tonnes and the importing of nearly 10,000 tonnes by private parties under the open general licence.

Without exports, therefore, the next financial year, starting in April, would open with a stock equal to three months' requirement, which would inevitably keep rubber prices at distressingly low levels.

The only way the stock can be brought down is through export. But, according to Mr E.B. Unni, spokesman for the United Planters' Association of South India, export alone is not going to be enough to bring supply and demand into balance. To sustain the interest of growers in rubber plantations, the minimum price must be above the cost of production, which has risen to Rs23.66 (48.8p) a kilogram while the minimum price of the RMA-4 benchmark grade remains at Rs21.44 a kilogram.

Nymex to co-operate with Budapest exchange

By Barbara Durr in Chicago

THE THREE-year-old Budapest Commodity Exchange is shaping up as eastern Europe's best connected market. This week it signed a memorandum of understanding for co-operation with the New York Mercantile Exchange, the third largest US futures exchange and the world's largest energy market.

Budapest already has co-operation agreements with the world's largest two futures exchanges, the Chicago Board of Trade and the Chicago Mercantile Exchange.

As part of the latest agreement, Budapest must offer Nymex first refusal on any energy product venture in Hungary where it is seeking another participant. The Budapest exchange is planning to launch an oil futures contract in the last quarter of this year. It already trades grain and livestock contracts, the traditional products of the CBoT and CME, respectively.

The Nymex-Budapest agreement also encourages the exchange of information and the strengthening of economic and trade relations.

Mr Lou Guttman, the Nymex chairman, who was in Budapest for the signing ceremony, said that the New York exchange was "very excited about the limitless opportunities which can develop as free market forces take hold in this area".

He said Hungary's political stability and relatively advanced economic reforms made it possible for the BCE to become the leading bourse of its kind in central Europe.

The Moscow Commodity Exchange has signed similar agreements with Nymex, the CBoT and the CME, but many believe that economic chaos in the former Soviet Union will slow the development of budding exchanges in Russia and other republics.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,640-1,720 (1,630-1,720).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.80-3.20 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.95-1.10 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 28-29 (27-28).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 115-125 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.23-2.27 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.50 (4.80-5.40).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 56-66 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.25-2.35 (2.25-2.40).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 8.00 (same).

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	+20,450	to 1,107,075
Copper	−1,400	to 307,150
Lead	−275	to 131,700
Nickel	+1,206	to 20,940
Zinc	+3,800	to 199,150
Tin	−225	to 12,680

WORLD COMMODITIES PRICES

MARKET REPORT

Fresh selling by speculators and trade houses sent London robusta coffee prices tumbling to fresh 17-year lows. Dealers held out little hope of recovery in the near term. Robustas from Africa and Asia have plunged by about $270 a tonne since the middle of January, basis the second position, which closed at $803 a tonne after hitting a low of $787. New York arabicas were ahead at midday on short covering. On the LME aluminium absorbed a mid-afternoon decline to session lows, shrugging off a 20,450-tonne rise in LME stocks and rallying strongly to end at seven-month highs. Dealers said the market hit the day's lows when news emerged that Russia's Krasnoyarsk aluminium smelter was continuing exports, after threats earlier this month to gradually shut the plant. An official said the Russian government had reduced export taxes. Licences for the export of 60,000 tonnes of metal were believed to have been issued. Copper was underpinned by the labour unrest at Chile's El Teniente mine and the possibility that disputes could spread to other Codelco facilities. The zinc market was supported by the force majeure at Peru's Cajamarquilla and caution ahead of the Big River labour contract expiry.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.95-5.10w	
Brent Blend (dated)	$17.40-7.45	
Brent Blend (Apr)	$17.30-0.35	
W.T.I. (1 pm est)	$18.30-0.35w	
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$201-203	
Gas Oil	$162-163	
Heavy Fuel Oil	$69-70	
Naphtha	$178-180	
Petroleum Argus Estimates.		
Other		+ or -
Gold (per troy oz)♣	$350.20	+0.4
Silver (per troy oz)♣	411c	-1.0
Platinum (per troy oz)	$359.50	+1.75
Palladium (per troy oz)	$84.25	
Copper (US Producer)	105.95c	+0.76
Lead (US Producer)	37.375c	+0.375
Tin (Kuala Lumpur market)	14.30r	-0.01
Tin (New York)	261.5c	
Zinc (US Prime Western)	62c	
Cattle (live weight)†	106.52p	+0.81*
Sheep (live weight)†♠	100.53p	+0.07*
Pigs (live weight)†	90.71p	-3.95*
London daily sugar (raw)	$205.8y	+0.9
London daily sugar (white)	$262.0y	-1.0
Tate and Lyle export price	$225.0	-0.5
Barley (English feed)	£120	
Maize (US No. 3 yellow)	£146.5	
Wheat (US Dark Northern)	Unq.	
Rubber (Apr)♥	52.00p	+0.25
Rubber (May)♥	52.25p	+0.25
Rubber (KL RSS No 1 Mar)	210.0m	+1.5
Coconut oil (Philippines)§	$682.5v	
Palm Oil (Malaysian)§	$382.5q	
Copra (Philippines)§	$455.0y	
Soyabeans (US)	£153.0q	-0.5
Cotton "A" index	55.55c	-0.10
Wooltops (64s Super)	473p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Mar t-Jan/Feb u-Jan/Mar v-Mar/Apr y-Feb/Mar z-Feb w-Apr. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High	Low
Mar	183.00	179.60	181.60	179.00
May	181.40	181.00	181.80	179.00
Aug	186.00	185.60	186.00	185.40
Oct	188.00	187.60	187.00	186.00
White	**Close**	**Previous**	**High**	**Low**
May	262.1	262.0	262.5	260.4
Aug	267.3	267.5	267.3	266.5
Oct	258.5	258.4	258.3	257.0
Dec	260.1		259.9	
Mar	262.6	261.4	261.0	

Turnover: Raw 338 (238) lots of 50 tonnes. White 1489 (1054)
Paris- White (FFr per tonne)· May 1474.89 Aug 1523.26

CRUDE OIL – IPE $/barrel

	Latest	Previous	High	Low
Apr	17.47	17.43	17.47	17.13
May	17.47	17.38	17.49	17.14
Jun	17.48	17.36	17.48	17.20
Jul	17.41	17.38	17.46	17.20
Aug	17.40	17.36	17.40	17.30
Sep	17.27	17.45	17.35	17.25
Oct	17.26		17.40	17.25
Nov	17.40		17.40	17.30
IPE Index	17.48	17.80		

Turnover 27408 (19097)

GAS OIL – IPE $/tonne

	Close	Previous	High	Low
Mar	159.50	160.25	159.75	157.25
Apr	158.00	158.75	158.50	156.00
May	157.00	158.25	157.50	155.25
Jun	158.00	159.75	159.00	156.50
Jul	160.75	162.00	161.00	158.75
Aug	162.75	165.00	162.75	161.00
Sep	165.25	165.75	164.00	163.50

Turnover 12483 (11949) lots of 100 tonnes

JUTE
February/March: c and f Dundee; BTC $415, BWC n/o, BTD $390, BWD n/o; c and f Antwerp: BTC $390, BWC $390, BTD $360, BWD $360.

COTTON
Liverpool - Spot and shipment sales amounted to 149 tonnes for the week ending 21 February, compared with 323 in the previous week. Subdued off take did not bring many operations. Support was forthcoming in certain specialist styles notably Spanish and American.

COCOA – London FOX £/tonne

	Close	Previous	High	Low
Mar	664	663	667	661
May	695	691	696	690
Jul	723	719	725	719
Sep	748	744	749	744
Dec	783	780	785	779
Mar	813	811	815	812

Turnover: 9874 (12269) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb.24 855.05 (852.81) 10 day average for Feb.25 849.55 (845.72)

COFFEE – London FOX $/tonne

	Close	Previous	High	Low
Mar	776	777	780	780
May	803	807	810	787
Jul	833	835	840	817
Sep	856	861	860	845
Nov	881	889	892	868
Jan	910	915	904	904

Turnover:5141 (4108) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb. 24: Comp. daily 52.96 (54.57) 15 day average 55.86 (56.12)
Sterling close: March £442

POTATOES – London FOX £/tonne

	Close	Previous	High	Low
Apr	119.3	119.5	119.5	119.0
May	141.5	140.5	141.0	140.5
Apr	125.0	126.0	126.0	125.0

Turnover 43 (110) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High	Low
Apr	129.00	128.50	129.00	128.50

Turnover 100 (125) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High	Low
Feb	1232	1226	1230	1229
Mar	1276	1255	1289	1260
Apr	1318	1278	1321	1275
Jul	1137	1101	1120	1108
BFI	1234	1236		

Turnover 287 (201)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High	Low
Mar	124.80	123.80	124.65	124.40
May	128.60	127.65	128.75	128.25
Jun	130.30		130.30	130.10
Sep	112.40		112.25	
Nov	115.85	115.75	115.80	115.75
Mar	122.85		122.80	
Barley	**Close**	**Previous**	**High**	**Low**
Mar	115.45	115.25	115.50	
May	118.75	118.40	118.75	

Turnover: Wheat 395 (248), Barley 179 (16).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High	Low
Mar	119.0	118.9	118.5	
Apr	117.5	118.0	117.2	117.0
May	116.0	115.5	115.8	115.0
Jun	115.0		114.5	114.5
Jul	109.5		108.0	

Turnover:52 (41) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 24,191 lots
Cash	1315-6	1310.5-1.5	1315/1314	1314-5		
3 months	1341-2	1337-7.5	1347/1325	1340-1	1346-7	148,154 lots
Copper, Grade A (£ per tonne)						Total daily turnover 27,789 lots
Cash	1275.5-6.5	1277-8	1284/1278	1285-5.5		
3 months	1294-5	1296.5-9	1305/1294	1304.5-5.0	1297-7.5	121,062 lots
Lead (£ per tonne)						Total daily turnover 1,889 lots
Cash	1128.5-7.5	288.25-8.75		292.75-3.0		
3 months	280.25-0.75	300-0.25	304.5/302	303-3.5	302-3	14,437 lots
Nickel ($ per tonne)						Total daily turnover 4,360 lots
Cash	7990-8000	8010-20	8030	8020-5		
3 months	8050-60	8065-75	8110/8010	8080-90	8015-20	22,440 lots
Tin ($ per tonne)						Total daily turnover 1,672 lots
Cash	5655-65	5655-65	5635/5630	5635-40		
3 months	5695-700	5695-705	5710/5675	5670-5	5690-95	5,426 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 10,878 lots
Cash	1128.5-7.5	1119.5-20.5	1128	1125.5-6.0		
3 months	1146.5-7.0	1139-40	1149/1143	1145.5-5.0	1148-9	43,935 lots

LME Closing £/$ rate:
SPOT: 1.7570 3 months: 1.7319 6 months: 1.7108 9 months: 1.6915

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	350.00-350.40	
Opening	350.50-350.80	
Morning fix	350.65	200.946
Afternoon fix	350.60	199.431
Day's high	351.10-351.40	
Day's low	349.60-349.90	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.59	6 months	3.64
2 months	3.59	12 months	3.84
3 months	3.59		

Silver fix	p/fine oz	US cts equiv
Spot	236.30	412.50
3 months	242.05	416.60
6 months	248.10	421.35
12 months	259.55	431.75

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	350.50-351.50	199.50-200.00
Maple leaf	361.00-362.00	205.50-206.00
New Sovereign	85.50-86.50	48.75-49.25

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Dec	Jan	Dec	Jan
1200				
1300				
1400				
Copper (Grade A)	**Calls**		**Puts**	
2150				
2250				
2350				
Coffee	**May**	**Jul**	**May**	**Jul**
750	61	95	8	13
800	28	61	25	29
850	11	37	58	55
Cocoa	**May**	**Jul**	**May**	**Jul**
675	36	64	16	16
700	23	49	28	26
725	15	36	45	36
Brent Crude	**Apr**	**May**	**Apr**	**May**
1650			12	33
1700	52	69	29	
1750	24	42	54	70

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High	Low
Feb	349.4	349.8	351.0	348.5
Mar	349.6	350.1	0	0
Apr	350.6	351.1	352.4	350.5
Jun	352.8	353.3	354.4	352.7
Aug	355.0	355.6	358.5	355.4
Oct	357.2	357.8	358.8	356.8
Dec	359.6	360.2	361.5	359.4
Feb	362.0	362.7	0	0
Apr	364.4	355.2	353.5	351.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High	Low
Feb	360.1	360.1	0	0
Mar	360.0	0	0	0
Apr	353.4	358.4	360.5	351.0
Jul	353.2	358.0	360.0	351.0
Oct	358.4	361.1	360.0	357.0
Jan	358.4	361.3	358.5	353.5

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High	Low
Feb	406.5	409.0	0	0
Mar	406.8	409.3	413.0	405.5
Apr	408.3	410.8	0	0
May	410.2	412.7	416.0	410.0
Jul	413.6	416.1	419.0	413.5
Sep	417.0	419.5	420.5	419.0
Dec	422.4	425.0	428.5	421.5
Jan	424.1	426.7	0	0
Mar	428.3	431.0	433.5	429.0
May	432.7	436.5	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High	Low
Feb	102.00	102.05	102.35	101.80
Mar	102.00	102.15	102.40	101.75
Apr	101.80	102.10	102.30	101.65
May	101.55	101.75	102.00	101.30
Jun	101.15	101.35	0	0
Jul	100.70	100.90	101.10	100.70
Aug	100.50	100.70	100.70	100.70
Sep	100.30	100.50	100.60	100.50
Oct	100.20	100.35	100.35	100.35
Nov	100.10	100.40	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High	Low
Mar	8.16	8.12	8.18	8.00
May	8.15	8.12	8.18	8.02
Jul	8.31	8.27	8.33	8.20
Oct	8.46	8.40	8.45	8.31
Mar	8.73	8.61	8.64	8.54
May	8.73	8.93	0	0
Jul	8.85	8.66	0	0

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High	Low
Mar	5135	5106	5160	5060
Apr	5142	5150	5160	5050
May	5115	5119	5125	5040
Jun	5101	5104	5115	5040
Jul	5131	5136	5140	5075
Aug	5206	5206	5220	5160
Sep	5341	5341	5340	5300
Oct	5451	5451	5470	5430
Nov	5551	5551	5560	5550
Dec	5651	5651	5665	5615

COCOA 10 tonnes;$/tonnes

	Close	Previous	High	Low
Mar	1060	1069	1066	1077
May	1101	1092	1112	1095
Jul	1135	1126	1146	1133
Sep	1171	1164	1177	1173
Dec	1220	1213	1229	1217
Mar	1265	1249	1255	1255
May	1283	1276	0	0
Jul	1305	1299	0	0
Sep	1339	1329	0	0
Dec	1374	1364	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High	Low
Mar	66.40	65.05	66.60	64.70
May	68.00	66.80	68.25	66.15
Jul	71.00	69.60	71.00	68.80
Sep	73.50	72.35	73.50	71.75
Dec	77.25	76.00	77.25	75.50
Mar	80.50	80.00	80.50	80.00
May	84.25	83.00	0	0
Jul	86.50	85.00	86.00	86.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High	Low
Apr	18.48	18.43	18.52	18.13
May	18.60	18.55	18.65	18.29
Jun	18.77	18.72	18.79	18.47
Jul	18.87	18.79	18.90	18.59
Aug	18.92	18.82	18.90	18.65
Sep	18.94	18.83	18.88	18.67
Oct	18.96	18.84	18.95	18.72
Nov	18.99	18.87	18.93	18.87
Dec	19.02	18.90	18.90	18.80
Jan	19.00	18.89	19.00	18.80

COTTON 50,000; cents/lbs

	Close	Previous	High	Low
Mar	55.10	53.45	55.10	53.45
May	57.15	55.58	57.58	55.45
Jul	58.65	57.04	59.04	56.95
Oct	60.00	59.30	60.20	59.20
Dec	60.40	59.85	60.70	59.83
Mar	61.85	61.30	0	0
May	62.35	61.85	61.75	61.75
Jul	62.85	62.35	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High	Low
Mar	141.55	140.10	142.20	140.80
May	137.80	136.95	138.40	136.85
Jul	136.00	135.05	137.00	135.15
Sep	132.25	131.50	133.00	133.00
Nov	125.25	123.50	0	0
Jan	125.25	123.55	124.50	124.00
Mar	125.25	123.55	124.50	124.50
May	125.25	123.55	0	0
Jul	125.25	123.55	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Feb.25	Feb.24	mnth ago	yr ago
1596.4	1600.5	1594.2	1674.9

DOW JONES (Base: Dec. 31 1974 = 100)

	Feb.24	Feb.21	mnth ago	yr ago
Spot	118.57	118.72	115.20	123.67
Futures	121.32	122.07	122.62	127.84

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High	Low
Mar	577/2	580/0	582/2	576/4
May	587/2	589/0	591/6	586/4
Jul	596/2	598/6	601/4	596/0
Aug	599/6	603/4	604/6	599/4
Sep	603/0	605/4	607/0	603/0
Nov	611/4	614/6	618/6	611/0
Jan	620/4	623/4	626/0	620/4
Mar	631/0	632/4	635/0	631/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High	Low
Mar	19.71	19.86	19.86	19.70
May	20.03	20.15	20.17	20.02
Jul	20.32	20.47	20.47	20.32
Aug	20.50	20.68	20.65	20.50
Sep	20.62	20.76	20.76	20.60
Oct	20.72	20.87	20.83	20.73
Dec	21.15	21.25	21.20	21.15
Jan	21.20	21.30	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High	Low
Mar	174.6	175.2	175.5	174.0
May	177.2	178.0	178.3	176.8
Jul	179.8	180.6	181.2	179.5
Aug	180.6	182.0	181.8	180.6
Sep	181.9	182.9	183.2	181.9
Oct	196.2	197.2	197.0	196.0
Dec	198.0	198.5	198.0	197.5
Jan	198.5	199.4	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High	Low
Mar	262/6	263/4	264/0	262/2
May	268/6	270/6	271/2	268/2
Jul	274/0	276/0	276/4	273/6
Sep	270/6	272/6	273/4	270/4
Dec	267/6	269/4	270/4	267/4
Mar	274/0	275/6	276/6	274/0
May	278/0	279/2	280/0	278/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High	Low
Mar	408/2	408/2	413/4	405/0
May	403/2	405/2	406/6	400/4
Jul	380/4	385/6	385/4	379/4
Sep	384/6	390/2	390/0	384/4
Dec	395/0	400/2	400/0	394/0
Mar	398/4	403/0	401/0	398/0

LIVE CATTLE 40,000 lbs, cents/lbs

	Close	Previous	High	Low
Apr	77.075	78.325	77.150	76.050
Jun	73.150	72.575	73.175	72.200
Aug	69.175	68.625	69.200	68.425
Oct	68.775	68.450	68.900	68.300
Dec	69.350	69.100	69.350	68.900
Feb	68.725	68.700	68.900	68.725

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High	Low
Apr	39.875	39.425	40.000	39.400
Jun	44.450	44.300	44.550	44.050
Jul	44.600	44.650	44.850	44.525
Aug	43.250	43.425	43.500	43.100
Oct	40.450	40.450	40.600	40.000
Dec	43.325	43.300	43.400	42.950
Feb	44.000	44.025	44.150	43.850
Apr	42.350	42.600	0	42.350

PORK BELLIES 40,000 lbs, cents/lb

	Close	Previous	High	Low
Mar	33.550	33.275	33.800	33.100
May	35.000	34.650	35.150	34.325
Jul	36.075	35.725	36.275	35.500
Aug	35.250	35.275	35.850	35.225
Feb	47.600	47.150	47.750	47.250
Mar	48.500	46.500	0	0

LONDON STOCK EXCHANGE

Early losses reduced in brisk trading

By Terry Byland, UK Stock Market Editor

Account Dealing Dates			
*First Dealings:	Feb 10	Feb 24	Mar 9
Option Declarations:	Feb 20	Mar 5	Mar 19
Last Dealings:	Feb 21	Mar 6	Mar 20
Account Day:	Mar 2	Mar 16	Mar 30

*New-time dealings may take place from 9.30 am two business days earlier.

NERVES flinched on the UK stock market yesterday afternoon when Wall Street fell heavily in early trading. London quickly recovered its poise, but its loss of 12.9 left the FT-SE once again below the 2,550 mark. Traders sounded unperturbed, however, pointing out that UK stocks had stood up well to a mixed bag of trading results from some of the market's big guns.

Equities were easier at first, but then turned higher as optimism for a base rate cut flickered off and then on again. Traders also tried to read the implications for sterling of yesterday's reduction in repo rates by the Bank of Spain. However, with Budget Day now less than a fortnight away, most UK analysts doubt if there will be a move in domestic rates until then.

The conflicting range of uncertainties ensured an erratic session for share prices. The Footsie Index gained 13.1 in early trading only to plunge to a net loss of 15.6 when Wall Street opened. With the Dow reducing its early setback from 40 to 22 points by the time London closed, the UK market trimmed its losses.

The final reading put the FT-SE Index at 2,546.8 for a net fall on the day of 12.9. "Not a bad performance in view of the uncertainty in the US market," commented the leading trader at a London investment bank.

Seaq volume increased to 511m shares from the 440.5m traded in the previous session. Yesterday's total took in heavy trading in the group of blue chip stocks which dominated the market after disclosing their respective trading statements.

In one of its heaviest trading sessions, National Westminster closed firmly, although the initial gain which reflected satisfaction with the trading results and dividend payment were trimmed before the end of the session. However, the Footsie was pulled down by a sharp fall in Unilever, as investors showed disappointment with very modest profits growth for the year, and by a smaller fall in SmithKline Beecham which met market forecasts by moving above the £1bn profits mark.

The lesson appeared to be that the stock market will accept bad corporate news, provided that it is no worse than expected. Midland Bank, whose dividend announcement tomorrow could be the litmus test for the sector, held steady yesterday.

Wall Street's reaction to the fall in the US consumer confidence index to its lowest level for 17 years clearly upset London but did not produce the setback predicted until recently by those analysts convinced that Wall Street is overvalued.

Across the full range of the market, falls in share prices were modest. Retail stocks eased as hopes of an immediate cut in base rates faded again, but losses among such sector leaders as Marks and Spencer and Kingfisher were slight.

The property sector, also sensitive to interest rate moods, gave ground but losses here were blamed on more immediate reports of bearish developments in London's office rental market, which has already borne down heavily on the shares of property firms.

However, a more positive factor was the relatively steady performance from the blue chip oil companies which fell heavily last week following profits statements from BP and Shell but resisted transatlantic influences yesterday.

FINANCIAL TIMES STOCK INDICES

	Feb 25	Feb 24	Feb 21	Feb 20	Feb 19	Year Ago	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
Government Secs	86.31	86.19	86.21	86.37	86.29	85.39	[illegible]	[illegible]	[illegible]	[illegible]
Fixed Interest	101.33	101.17	101.21	101.40	101.56	93.60	[illegible]	[illegible]	[illegible]	[illegible]
Ordinary Share	1989.8	1999.7	1982.9	1989.4	1975.3	1855.9	[illegible]	[illegible]	[illegible]	[illegible]
Gold Mines	129.8	129.6	130.9	136.9	135.8	131.2	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE 100 Share	2546.8	2559.7	2542.3	2543.4	2538.7	2322.3	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Eurotrack 200	1185.41	1192.22	1182.66	1179.07	1172.56	1078.79	[illegible]	[illegible]	[illegible]	[illegible]

Ordinary Share Index, Hourly changes. FT-SE 100, Hourly changes. FT-SE Eurotrack 200, Hourly changes: [illegible]

GILT EDGED ACTIVITY

Indices*	Feb 24	Feb 21
Gilt Edged Bargains	153.6	107.3
5 - Day average	106.4	96.3

*SE Activity 1974. †Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

Heavy trade in NatWest

HEAVY turnover in National Westminster Bank saw the shares jump 24p in early trading following the bank's well-received results, which included a near 80 per cent drop in profits and provisions for bad debts of £1.9bn. The bad news was nearly all expected, and the more positive aspects - including a maintained dividend - removed any worries over the need for a rights issue.

The stock's rise was eroded by profit-taking, leaving a net gain of 5 at 308p after turnover of 17m. Traders said the sellers of the stock were those who had bought at around the 264p level in mid-January; the buyers, even at yesterday's high of 327p, were institutional investors as the stock remains a long-term buy on most analysts' lists.

Nomura analyst Mr Mike Fesemeyer has moved to a short-term hold. He said: "The results were a mixed bag. On the one hand, the bank is starting to get costs under control, but it is still not getting the returns on equity it should." Goldman Sachs also moved to a short-term hold, shaving its pre-tax forecasts but seeing the bank as "now moving in the right direction".

Panmure Gordon remains a buyer, arguing that "NatWest's potential for recovery is enormous", and that the worst in terms of provisions is behind it. The broker is looking for £755m of pre-tax profits this year, and £1.26bn in 1993, while Goldman Sachs is on £630m and £1.175bn respectively and Nomura on £537m and £1.1bn.

SmithKline volatile

Pharmaceuticals group SmithKline Beecham saw a volatile performance after announcing profits and a full-year dividend in line with expectations and a proposal to split its "A" shares and Units.

The shares drifted in the morning but were marked up as traders responded to a headline 17 per cent rise in 1991 profits to £1bn. However, the gains were eroded by a weak early Wall Street showing and reversed by an uneasy reaction to the company's meeting with analysts.

At the meeting, the company pointed out that underlying sales for pharmaceuticals, which constitute around half of its turnover, had only risen by 1 per cent. There was also concern that overall growth for this year would be less than the 15 per cent previously expected.

Analysts left to review their forecasts and the "A" fell to close a net 13 down at 915p, the low for the day, with 3.3m traded. There was also a feeling that investors may now begin to switch from the "A" shares into the Units, which represent five shares but ultimately will be brought into line with the "A" by the split. The Units gained 25 to 4180p.

Unilever setback

Anglo-Dutch conglomerate Unilever finished 30 lower at 938p on disappointment with the year's results, particularly by US investors. Unilever fell in early trading as profits of £1.792bn, against £1.782bn last year, came in at the lower end of analysts' forecasts. But Mr Carl Short at Nomura suggested the performance was better than it looked if a negative currency impact and exceptional items were stripped out. After a final dividend of 13.91p the total payout rose 4.5 per cent to 18.94p.

The shares rallied as chairman Sir Michael Angus remained cautious about the outlook for 1992 but described the latest figures as a good solid performance. A later slide in the share price followed Wall Street's decline and also reflected a US move out of defensive stocks, such as Unilever, and into cyclicals.

Leading property shares were depressed as a large seller of Land Securities moved into the weak market. Land fell 11 to 440p, Hammerson Ordinary 9 to 468p, MEPC 9 to 348p and British Land 5 to 242p.

International shares were hit by the weak early Wall Street performance. Glaxo was the most heavily traded stock on the New York exchange during the first few hours of dealing and fell 20 to 793p, Reuters Holdings lost 9 to 1155p and Rothmans International "B" shed 6 to 1085p. However, Hanson continued to receive support from a number of analysts' buy recommendations and held a gain of 2¼ at 215p.

BAT Industries was helped by the announcement that it had signed a letter of intent to negotiate a joint venture with three cigarette factories in the Ukraine. The shares were firm at 856p.

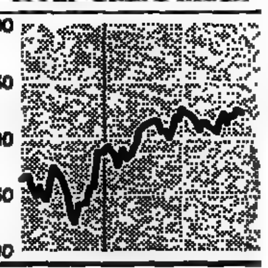
Turnover in BP was high at 24m shares, with the price firming a penny to 259p. French oil company Elf-Aquitaine announced it had bought BP's refining and marketing operations in West Africa and Tunisia for an undisclosed sum. The deal involves 650 service stations in 12 countries. Shell eased 3 to 442p.

Engineering and quarrying business Starmin was the most heavily traded stock in the London market as a number of large blocks of shares were dealt. A spokesman for the company said several long-term shareholders no longer linked with Starmin had decided to off-load their stakes and these were sold through the market to institutions at 11p a share. A total of 30m shares went through the Seaq electronic ticker and the price of the stock closed unchanged at 13½p.

ECC gained 7 to 538p after it said it expected improved 1991 profits and an increased final dividend.

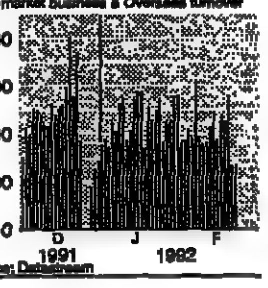
Tiphook forged ahead 19 to 384p as County NatWest and S.G. Warburg reiterated their positive stances on the stock. Turnover reached 1.7m shares.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



Source: Datastream

Rolls-Royce ended 2 better at 143p as the market continued to expect the announcement later this week of an engine order from Cathay Pacific, the Hong Kong airline.

Bargain hunters and a reiteration by Kleinwort Benson of its positive stance on Siebe left the shares 7 up at 577p.

Press reports that Ford is to create a chain of fast-fit garages as a rival to Kwik Fit weakened the latter's shares by 12 to 188p on 3m turnover.

Electronics group Unitech advanced 7 to 208p after an announcement by its largest shareholder, Electrowatt, of Switzerland. Electrowatt said it was considering its position after failing to agree terms for a joint takeover of Unitech with another large shareholder. Turnover reached 1.1m shares as the market speculated on which interested parties might enter the fray.

Early strength in ICI was eroded by the market's afternoon fall. The shares climbed 18 initially with the help of a buy note from County NatWest but closed a net 3 off at 1314p.

Saatchi & Saatchi continued to attract attention, the shares slipping ⅛ to 16⅝p on heavy turnover of more than 22m shares. US investment groups FMR Corp and Fidelity International announced that they had between them taken a 3.05 per cent stake (47.8m shares) in the company.

The renewed interest in advertising companies benefited Gold Greenlees Trott, which picked up 6 to 220p. Publisher Pearson was 3 firmer at 795p after touching 800p.

Marketing services group Holmes & Marchant slumped 35 to 25p on announcing that, as a result of difficult trading conditions, it is unlikely to pay a final dividend.

In a mainly depressed stores sector, Sears put on 2 to 103p on turnover of 4.6m shares. Boots fell 8 to 459p as US credit rating agency Standard & Poor's lowered its ratings on the company's debt. Northern-based supermarket group Wm Morrison firmed 2 to 299p, with BZW predicting that the company "should easily achieve the fastest profits growth out of any superstore major". J. Sainsbury continued to benefit from Monday's recommendation by UBS Phillips & Drew, gaining 1½ to 391½p.

Bass was a firm feature in a generally weak brewing sector. The company's US exposure pulled the shares down from the day's high, but they still ended 3 ahead at 560p, supported by a joint venture between Bass's subsidiary Coral Racing and the Tote to promote off-racecourse pool betting.

Grand Metropolitan reversed an early rise to end a penny off at 947p, following profits downgradings after the annual meeting. Earlier the shares touched 961p on news of a proposed two-for-one share split.

MARKET REPORTERS:
Christopher Price,
Colin Millham,
Joel Kibazo, Peter John.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 19.

NEW HIGHS AND LOWS FOR 1991/92

NEW HIGHS (80).
BRITISH FUNDS (2) Treas. 8¼pc 1993, Treas. 8¾pc '95-98, OTHER FIXED INTEREST (4) African Dev. 11¼pc 2010, Asian Dev. 10¼pc 2009, Inter-Amer. Dev. 9¼pc 2015, Utd. Mexican States 16½pc 2008, AMERICANS (3) Amdahl, Cont'l. Bank, Eaton, BANKS (2) Lloyds, Standard Chartered, BREWERS & DISTILLERS (5) Bass, Boddington, Guinness, Do. 5¾pc Prf., Do. 8¾pc Cv. '99-01, BUILDING MATERIALS (4) Hepworth, Kalon, PHH, Rugby, BUSINESS SERVICES (3) Barbour Index, Johnson Cleaners, Serco, CHEMICALS (3) Allied Colloids, Hickson, Schering, CONGLOMERATES (2) Bodycote, Jardine Hldgs., CONTRACTING & CONSTRUCTION (2) Boot (H), NSM, ELECTRONICS (8) ACT, Druck, Farnell, Micro 4, Micro Focus, Sage, Siemens, Tunstall, ENGINEERING GENERAL (6) Atlas Copco B, Black & Decker, Fairey, Hall Eng., Mining & Allied Supplies, Powerscreen, FOOD MANUFACTURING (1) Dalepak, FOOD RETAILING (3) Argyll, Morrison (Wm), [illegible] (…), HEALTH & HOUSEHOLD (2) Creighton Naturally, Maynards, INVESTMENT TRUSTS (18) Abtrust Prfd. Zero Prf., General Cons. Stppd. Prf., India Fund, M & G Inc. Zero Prf., Manakin, Mexico Fund, New Frontiers Dev., Pacific Assets, Do. Wrrnts., River & Merc. Stppd. Prf., St. Davids Zero Prf., Scot. Asian, Sth. America Fund, TR Tech. Zero Prf., Templeton Emrg. Mkts., Do. 1pc Loan 2001, MEDIA (5) Abbott Mead V., Central ITV, Daily Mail A, Pearson, Reuters, MOTORS (3) SBG, Cowie (T), Davenport Vernon, OIL & GAS (1) Evergreen Res., OTHER FINANCIAL (1) Lon. Forfaiting, OTHER INDUSTRIAL MATERIALS (3) ECC, Tomkins, Do. 5.6pc Prf., PACKAGING, PAPER & PRINTING (5) Bowater 7.75pc Prf., Boxmore, Brit. Polythene, De La Rue, Microfilm Repro., STORES (1) Betterware, TEXTILES (3) Claremont Garments, Leeds, Usher (F), TRANSPORT (2) Brit. Airways, CSX.

NEW LOWS (38).
AMERICANS (1) Pennzoil, BUILDING MATERIALS (1) Ward Group, BUSINESS SERVICES (1) AFP, ELECTRICALS (1) Fujitsu, ELECTRONICS (4) Harland Simon, Kewill Systems, Reflex Invs., Standard Platform, INSURANCE BROKERS (1) Sturge, INSURANCE COMPOSITE (2) [illegible], Hafnia, INVESTMENT TRUSTS (7) Danae Inc., Malaysian Emrg. Wrrts., Morgan Grenfell Equity Inc., Murray Split Cap., River Plate Cap., Schroder Japanese Wrrnt., Scot. Natl. Inc., MEDIA (1) Holmes & Marchant, MERCHANT BANKS (1) Brown Shipley, MISCELLANEOUS (2) Brandon Hire, Futura, OIL & GAS (3) Aviva Petrlm., Calor, Tuskar Res., OTHER INDUSTRIAL MATERIALS (1) OMI, PROPERTY (7) Bourne End, Hammerson A, High-Point, MEPC, Regalian, Slough Ests., Do. 8¼pc Prf., STORES (2) French Connection, Mallett, MINES (4) Beatrix, East Daggs, Kinross, Waverley Mining.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Tuesday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

THE ABSENCE of any signs of reduction in UK interest rates, together with figures showing a fall in US consumer confidence, caused a retreat in FT-SE stock index futures after an initial jump, writes Joel Kibazo.

The March contract, having started the session at 2,579, saw light selling. The downward trend was, however, reversed by speculation, later confirmed, of a 0.25 per cent cut in the Bank of Spain's official intervention rate.

This triggered a squeeze in March, sending it to the day's high of 2,596 as dealers anticipated that the Bank of England might soon follow suit.

It did not, and selling followed which gathered pace with the release of poor US consumer confidence statistics. These, in turn, led to falls on Wall Street, once again hurting March.

March closed at 2,557, around 4 points above its estimated fair value premium to cash of about 6. Turnover reached almost 7,000 contracts.

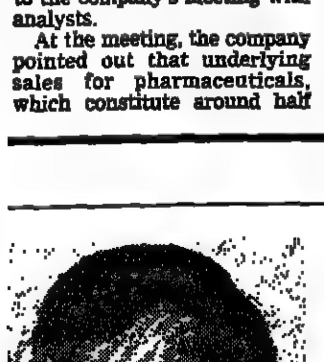
Traded options remained dull, turnover reaching 24,491 contracts, with the FT-SE 100 index option trading a total of 8,872 lots. British Airways was the busiest stock option, trading 1,744 lots.

LONDON SHARE SERVICE

BRITISH FUNDS · BRITISH FUNDS - Cont. · BRITISH FUNDS - Cont. · OTHER FIXED INTEREST

Stock	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

APPOINTMENTS



■ Clydesdale Bank, the Glasgow-based subsidiary of National Australia Bank, is appointing Charles Love, chief executive of TSB Bank Scotland and head of branch banking for TSB Bank, to succeed its chief executive Richard Cole-Hamilton when he retires at the end of this year.

Love, who is 46, has spent his entire career with TSB and has been based in Edinburgh since early 1990. His job there was recently widened to include all TSB's retail banking operations, which are run from Birmingham.

Cole-Hamilton, 58, said last July that he would retire by the end of this year and headhunters were appointed to find a successor both externally and from inside the bank. He has been chief executive since 1982 and presided over the bank as it was sold by Midland to NAB in 1987.

Love, a Scot who was born near Edinburgh, will join Clydesdale Bank in a few weeks' time.

Utilising expertise

This week's appointment of William Alexander as managing director of Thames Water Utilities will enable Mike Hoffman, group chief executive of Thames Water, to concentrate more on developing the non-utility businesses of the group. Hoffman previously combined both roles.

Expansion away from the core businesses of water supply and sewage disposal, which are heavily regulated, has been slow but steady at Thames, the biggest of the 10 former regional water authorities privatised over two years ago. It now accounts for annual turnover of over £250m.

Alexander, 45, was formerly technical director of the utilities. He joined Thames in 1989 from British Coal where he was head of engineering. The technical division is responsible for Thames Water's investment programme of £400m a year as well as research and development and laboratories.

Two group appointments have also been announced at Thames. Bill Harper, deputy chairman of the utilities company, has been made group director, corporate activities. He will have special responsibility for the environment and relations at corporate level. Richard Marshall becomes group personnel director.

Piloting LWT

London Weekend Television yesterday appointed its youngest ever executive director - 29-year-old Neil Canetty-Clarke.

Canetty-Clarke, who came to the London television company from Morgan Grenfell Securities, has been appointed deputy director of finance of LWT (Holdings) and director of finance designate. He will succeed Peter McNally, group finance director, when he retires at 60 in March 1992.

Canetty-Clarke, an Edinburgh University commerce graduate, joined LWT to work on the company's capital reorganisation. This process could well make millionaires out of some of the top people at LWT if the share price clears a certain threshold. The first hurdle towards that has already been cleared - retaining the franchise.

Neil Canetty-Clarke is well qualified for the high life at LWT; he has a private pilot's licence.

■ Richard Abraham, formerly finance director of AMI Healthcare, has been appointed finance director of BUPA HEALTH SERVICES.

■ Philip Wroughton, chairman of CT Bowring, has been appointed chairman of MARSH & McLENNAN Inc, the insurance broking arm of Marsh & McLennan Companies.

■ John Dunsmore has been appointed to the board of MARSTON, THOMPSON & EVERSHED; before joining the company he was brewing analyst at County NatWest Wood Mackenzie.

■ Michael Pitt-Payne, formerly financial director and company secretary of Cape Building Products, is promoted to company secretary of CAPE, on the retirement of John Sparkes.

■ David Searles, finance director of Tioxide, has been appointed a director of ICI SPECIALTIES.

■ Christopher Shaw, formerly md of British Syphon, is appointed group md of AYNSLEY; he takes over from Bill Daymond who retires at the end of March.

■ Michael Healy is appointed commercial director in charge of UK and international sales and marketing operations for PARCELFORCE; he moves from Federal Express.

■ Bryan Thompson, formerly finance and planning director, British Alcan Primary and Recycling division, has been appointed financial director of VICKERS Defence Systems division.

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Nuclear Electric plc hereby announces its intention to hold a Spring Auction for two-way contracts for differences against the Pool Purchase Price of electricity for England and Wales for the period 1st April 1992 to 31st March 1993, the period 1st April 1992 to 31st March 1994 and for the period 1st April 1992 to 31st March 1995 ("the Periods").

This offer is open to those of sufficient financial standing, entering into contracts with whom, will not place Nuclear Electric plc in breach of its permission to contract under the Financial Services Act 1986 ("Eligible Parties"). Contracts will be allocated on the basis of prices offered under the terms of the offer which will, at the discretion of Nuclear Electric plc, be forwarded to Eligible Parties responding to this advertisement.

In order to receive details of the terms of the offer, including details of the contracts on offer, interested parties should contact Mr. S.B. Smith or Miss S.R. Kelly, Marketing and Sales Dept., at Nuclear Electric, Barnett Way, Barnwood, Gloucester, GL4 7RS, by telephone (0452-652422).

Nuclear Electric

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1991/92 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs	38xd	+½	38⅝	20⅞	18,309	1.9
ΨAllegheny & W	308p	-14	380p	218p	108.1	5.5
Amdahl	1088pxd	+7	1088p	667p	1,207	0.5
Amer Cyanamid	35½	—	42⅛	25⅞	3,310	2.4
Amer Express	12¾xd	[illegible]	17⅞	9[illegible]	5,702	4.9
Amer T & T	21[illegible]xd	[illegible]	24½	15¾	23,801	3.5
Ameritech	34⅛	[illegible]	38⅞	32½	15,214	5.5
BankAmerica	24[illegible]xd	[illegible]	28[illegible]	12[illegible]	5,312	3.0
Bankers NY	36⅛xd	-⅛	38[illegible]	20[illegible]	2,989	7.5
Bell Atlantic	28½xd	+⅝	30½	24¼	10,825	5.6
BellSouth	27	+⅝	31¼	25	13,098	5.8
ΨBethlehem Steel	8¾xd	+¼	11¼	6[illegible]	608.9	—
Bowater	1532p	+9	1639p	1042p	888.3	4.4
CPC	46⅞xd	[illegible]	54[illegible]	37[illegible]	3,808	2.7
California Engy	715p	+20	800p	420p	130.2	—
Campbell Soup	21½	[illegible]	25	14⅛	5,404	1.6
Chase Manhattan	14[illegible]xd	[illegible]	14[illegible]	5[illegible]	1,929	4.8
Chrysler	9[illegible]xd	[illegible]	10⅛	5⅝	2,785	3.5
Citicorp	9[illegible]xd	[illegible]	10⅞	4⅝	3,370	—
Colgate-Palm	28¼xd	—	27⅞	21[illegible]	3,890	2.2
Cont'l Bank	945p	+22	948p	438p	554.9	4.8
Dana	19⅞xd	-¼	21⅝	13⅝	810.9	4.5
Data General	778p	+6	1262p	203p	193.4	—
Dial	28⅛xd	—	28⅞	12⅞	1,128	2.8
Dun & Brad	31½	—	32	20¾	6,027	3.9
Eaton	41½	+½	41½	24¼	1,413	3.0
Echlin	9¼xd	[illegible]	9[illegible]	5½	569.8	4.3
FPL	19[illegible]xd	[illegible]	20⅛	14[illegible]	3,291	7.1
Fluor	25¼xd	[illegible]	30[illegible]	17[illegible]	2,048	0.9
Ford Motor	21[illegible]xd	[illegible]	23⅛	13	10,030	2.7
Gen Elect	46xd	-¼	46[illegible]	28[illegible]	38,863	2.5
ΨGeneral Host	494p	+8	500p	270p	—	4.1
Gillette	27¾xd	—	45¾	20⅞	6,067	1.3
Hasbro	20⅝	-¼	24	7[illegible]	1,182	0.5
Honeywell	41⅜xd	[illegible]	42[illegible]	21[illegible]	2,888	2.2
Houston Inds	23⅛	+⅛	24[illegible]	17⅞	2,981	7.2

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING AEROSPACE

[illegible]

ENGINEERING GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1991/92 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scot National Inc.		96½xd	—	116	95	12.4	—	—
Cap		32	—	88	30	—	28.8	-12.0
Stepped Pf	t	130¾xd	+½	133½	113	5.4	—	—
Zero Div Pf		172½	—	172½	141	—	—	—
Warrants		7	—	18	7	—	—	—
Scot Value		55	—	58	46¼	3.8	58.4	4.2
Sec Alliance	†	1178xd	-1	1285	882	4.0	1358.6	13.2
Second Market		224	+1	230	198	0.6	263.1	15.7
Sec Tst Scot	†	68½	—	78	57½	5.9	72.5	5.8
Select Assets		99xd	—	102	71	1.2	135.7	26.3
Eq Ind Ser I		114	—	121	89	5.8	—	—
Eq Ind Ser II		114	—	121	89	5.8	—	—
Staires	†	225	+1	260	191	10.5	225.3	2.3
11pc Cv Ln '03/04		£94½xd	+2	£120½	297½	10.6	—	—
Stem Select		88	—	89	78	1.5	105.1	16.3
Warrants		19	—	31	18	—	—	—
Smaller Cos.		71xd	+1	93	60	4.7	84.6	16.0
Warrants		13	—	25	8	—	—	—
Sphere Inc		17	—	33	17	38.4	24.1	31.5
Zero Div Pf		69	+½	69¼	58¾	—	—	—
Warrants		0¾	—	9½	0¾	—	—	—
Stratton		157	—	188	120	1.6	188.5	16.6
Summit		50	—	118	50	‡	109.9	54.5
TR City of Lon		106	—	121¼	90	5.7	112.1	5.5
TR Euro Growth		87	—	104	78	1.5	97.3	10.6
Ptg Sub		58	—	58	40	2.5	—	—
TR Far East Inc		87xd	—	94	56	8.4	101.3	14.2
Warrants		14	—	22	12	—	—	—
TR High Inc		99	—	115	85	8.2	98.5	-1.6
Sub		33	—	36	24	8.1	—	—
TR Pacific		81½	+½	82	49	0.4	94.5	14.3
TR Prop		24	—	37	23½	8.1	34.8	31.1
TR Smaller		133½	+½	155	98	3.7	149.0	10.7
TR Technology	M	35	—	52	20	6.8	138.7	74.8
Stepped Pf		93¾	+½	94½	70½	7.8	—	—
Zero Pf		168	+½	168	117½	—	—	—
Temple Bar		242xd	—	270	210	7.2	280.5	11.6
6pc Cv Ln 2002		£113½	—	£115½	£102½	5.3	—	—

MERCHANT BANKS - Cont.

METALS & METAL FORMING

MISCELLANEOUS

MEDIA

MOTORS

MERCHANT BANKS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

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AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called offer price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: [illegible]

TIME: [illegible] The symbols are as follows: (▼) - 0001 to 1100 hours; (●) - 1101 to 1400 hours; (◆) - 1401 to 1700 hours; (♣) - 1701 to midnight. [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

[illegible]

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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Norwich Union Life Insurance Soc.–Contd.

	Bid Price	Offer Price	+ or –	Yield Gross
Pensionmaster* & Unit-Linked Plus*				
Mixed Fund	441.2	464.4	+0.1	–
Ordinary Share Fund	660.0	694.7	+2.3	–
International Fund	173.3	182.4	-1.6	–
Property Fund	261.1	274.8	+0.3	–
Fixed Interest Fund	396.5	417.4	+0.2	–
Index-Linked Sec Fund	192.9	203.1	-1.0	–
Deposit Fund	276.0	290.5	+0.5	–
Norwich Units Nov 15	1053.70		---	–

*Prices as at February 18

	Bid Price	Offer Price	+ or –	Yield Gross
Jersey Investment Plan				
With Profits Fund	121.97	128.39	+0.04	–
Intl Equity Fund	95.12	100.13	-0.26	–
Intl Bond Fund	120.42	126.76	-0.32	–

Norwich Union Pensions Management Ltd

Surrey Street, Norwich, NR1 3NG 0603 683335

	Bid Price	Offer Price	+ or –	Yield Gross
Group Pooled Pensions				
Balanced Managed Fd	318.29	323.65	+1.43	–
Growth Managed Fd	105.81	107.70	+0.55	–
Sentinel Managed Fd	104.72	106.17	+0.35	–

Prices as at February 24

Pearl Assurance (Unit Funds) Ltd

Thorpe Wood, Peterborough PE3 6SA 0733 63212

	Bid Price	Offer Price	+ or –	Yield Gross
Prop. Dist. (Gross)	133.5	140.5	....	–
Prop. Acc. (Gross)	254.4	267.8		–
Equity (Gross)	868.1	913.8	+5.0	–
Managed (Gross)	607.3	639.3	+2.8	–
Prop. Acc. (Net)	121.4	127.8	....	–
Equity (Net)	201.2	211.8	+1.0	–
Managed (Net)	187.1	196.9	+0.8	–
Interest (Net)	172.0	180.0	+0.2	–
Gilt & Fxd Interest	134.1	141.3	+0.2	–
Money Fund	136.6	143.8	....	–
Mixed Fund (Cap)	116.8	123.0	....	–
Mixed Fund (Acc)	120.0	126.4	....	–
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	663.7	698.7	+3.0	–
Ret Man (Series 2)	225.1	237.0	+1.0	–
Ret Cash	190.6	200.7	+0.1	–
Pens Mixed Fd (Cap)	130.1	137.0	....	–
Pens Mixed Fd (Acc)	133.7	140.8	....	–
Pens Stlg Fd (Cap)	101.3	106.7	....	–
Pens Stlg Fd (Acc)	104.1	109.6	....	–

Pegasus Assurance Ltd

Broad Quay, Bristol BS1 4DJ 0272 230271

	Bid Price	Offer Price	+ or –	Yield Gross
Life Funds				
Managed Aggressive	102.2	107.7	+0.2	–
Managed Balanced	99.4	104.7	+0.3	–

Provident Mutual Life Assc. Assn.–Contd.

	Bid Price	Offer Price	+ or –	Yield Gross
Pension Funds				
Managed Ord	463.6	488.0	-0.2	–
Managed Init	342.1	360.1	-0.2	–
Equity Ord	704.5	741.6	+0.3	–
Equity Init	519.8	547.2	+0.1	–
Pen Ind Lkd Gilt Ord	181.3	190.8	---	–
Pen Ind Lkd Gilt Init	139.7	147.1	---	–
Overseas Equity Ord	325.7	342.8	-1.1	–
Overseas Equity Init	240.3	252.9	-0.9	–
Property Ord	272.9	287.3	+0.1	–
Property Init	201.3	211.9	---	–
Fixed Interest Ord	278.9	293.6	+0.5	–
Fixed Interest Init	205.8	216.6	+0.4	–
Deposit Ord	259.8	273.5	....	–
Deposit Init	191.7	201.8	---	–

Prudential Assurance Co

Holborn Bars, London EC1N 2NH 071-405 9222

	Bid Price	Offer Price	+ or –	Yield Gross
Prutland				
Managed Feb 19	250.2	264.0	....	–

Prudential Corporate Pension Funds

1 Stephen St, London W1P 2AP 071-548 3281

	Bid Price	Offer Price	+ or –	Yield Gross
Prudential Managed Funds				
Discretionary Feb 19	£183.64	189.34	....	–
Equity Feb 19	£207.59	214.64	....	–
International Feb 19	£28.33	28.96	....	–
Intl Bond Feb 19	£14.60	14.78	....	–
Fixed Int Feb 19	£100.89	102.03	....	–
Index Linked Feb 19	£73.75	74.68	....	–
Property Feb 19	£106.70	112.79	....	–
Cash Feb 19	£29.7348	29.7348	....	–
Pru-Linked Retirement Plan				
Managed Feb 20	445.4	464.0	....	–
Cash Feb 20	273.6	285.0	....	–
Prudential Pensions Investment Account				
Pens Mngd Feb 25	179.6	193.2	+1.5	–
Pens UK Eq Feb 25	310.7	335.0	+2.5	–
Pens Intl Feb 25	206.7	222.2	+2.1	–
Pens Global Eqty Feb 25	100.5	105.8	+0.9	–
Pens Fixed Feb 25	229.8	242.7	+0.2	–
Pens Index Lk Feb 25	190.0	200.7	-0.1	–
Pens Property Feb 25	87.5	92.2	....	–
Pens Cash Feb 25	178.8	188.3	+0.2	–
Money Purchase Plan				
Discretionary Feb 25	98.5	105.6	+0.40	–
Equity Feb 25	99.3	106.7	+0.60	–
International Feb 25	90.2	95.9	+0.10	–

Sun Alliance Group

St Mark's Court Horsham 0403 232323

Wesleyan Assurance Society

Colmore Circus, Birmingham, B4 6AR 021-200 3003

	Bid Price	Offer Price	+ or –	Yield Gross
Managed Fd	233.1	244.9	....	–
Pens Managed Fd	158.1	166.1	....	–

Windsor Life Assur Co Ltd

Windsor House, Telford, Shropshire 0952 292929

Providence Capital International Ltd – Contd.

Royal Life Intl. Ltd

Royal Court, Arbory Rd, Douglas IoM 0624 821212

J. D. Ward Financial Services Ltd

9 Kingsway, London, WC2 B6XF. 071-836 4321

	Bid Price	Offer Price	+ or –	Yield Gross
J D Ward Mngd Bond	201.7	217.1	+0.7	–
J.D. Ward Mngd Pens	125.4	135.2	+0.8	–
Albany Life Acc	196.5	206.8	-0.2	–
Albany Pens Acc	251.9	265.1	-0.3	–
M&G Trimax Pens Acc	181.2	190.4	....	–
NPCWP Growth (Pen)Acc	188.5	198.4	....	–

Royal Bank of Canada Funds

RBC Offshore Fund Managers Ltd
PO Box 246, St Peter Port, Guernsey 0481 723021

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

GUERNSEY (REGULATED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

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	Bid Price	Offer Price	+ or −	Yield Gross
CMI Fund Managers (IoM)				
Clerical Medical Hse, Douglas, IoM 0624 625599				
High Income 5	0.4877	0.4877	0.5135	10.14
CMI Core Portfolio Fund				
UK 5	£– 1.0221	1.0943		–
USA 5	£– 1.0795	1.1428		–
Japan 5	£– 0.5723	0.6041		–
Equity & Law Intl Fund Mngrs Ltd				
Victory Hse, Prospect Hill, Douglas IoM 0624 677877				
Total Income Fd 5	96.88	96.88	101.97 +0.09	10.2
Gartmore Fund Managers (IoM)				
PO Box 32, Douglas, IoM 0624 627610				
Intl Grth 5¼	495.8	495.8	529.6 −3.9	0.9
Leopold Joseph Fund Mngrs (IoM) Ltd				
PO Box 52 Athol St Douglas IoM 0624 661020				
L.J. International 5¼	96.62	96.62	103.97 +0.6	–
Mercury Fund Managers IoM Ltd				
11 Hill Street, Douglas IoM 0624 662255				
Merc IoM Fund 5	105.3	105.3	112.4 +0.5	7.4
Merc Intl Bond 5	53.88	53.88	56.62 −0.10	6.7
Sun Life Management (IoM) Ltd				
PO Box 178, Douglas, IoM 0624 622444				
Secure High Income 6	1.0349	1.0349	1.1114	8.10
Unibank Scandinavian Fund Ltd				
23 Bucks Road, Douglas, IoM 06246 26484				
Scandinavia Fd 5	–	137.91	147.04 −1.81	1.0

ISLE OF MAN (REGULATED)(**)

	Bid Price	Offer Price	+ or −	Yield Gross
CMI Fund Mngrs (IOM)				
Traders Fund Ltd H*	£17.53	18.95		–
*Dealings Wednesday				
City Financial Admin (IoM) Ltd				
[illegible]	63.0	75.0	+0.02	0.00
[illegible]	51.12	1.34	+0.03	0.00
Beckman Reserve Assets	102	102	−7.00	2.73
Duncan Lawrie Inv. Mgt. Ltd				

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
EBC Trust Company (Jersey) Ltd						
EBC Amro Traded Currency Fund Ltd						
Income			$15.41	15.882		4.05
Capital			$23.68	24.400	+0.010	5.50
*Offer price includes 3% prelim. charge						
International Income Fund						
Eurobd Long Term*			$33.02	34.5172	+0.0517	4.90
* Offer Price includes 3½ % Initial Charge						
Equitilink International Mngt Ltd						
First Aust Prime Inc Inv Co Ltd NAV Feb 20 C$12.63						
First Aust Prime Inc Inv Co Ltd NAV Feb 20 US$10.67						
NAV Diluted to reflect exercise of all Wrts C$12.31 US$10.41						
Fidelity Investment (CI) Ltd						
Sterling American			£2.504	2.635		–
Fleming Group						
Robert Fleming Management (Jersey) Ltd						
Fleming Concord Fund						
European			£6.54	6.96	+0.03	–
Far Eastern			£4.69	4.99	−0.03	–
North American			£9.06	9.65	−0.10	0.12
Sterling Bond			101.75	106.15	+0.09	9.99
UK Growth			289.75	307.85	+1.36	0.97
Other Fleming Funds						
Sterling Deposit			386.7	387.2	+0.20	0.06
Global Portfolio Fd £			£6.27	6.78	−0.01	0.55
Global Portfolio Fd $			$11.02	11.92	+0.11	0.55
Deutschland Inv Co NAV			DM16.08			–
Robert Fleming Management (Bermuda) Ltd						
Gold			$10.93	11.51	−0.04	–
Save & Prosper						
Fixed Interest Funds						
Japan Inc & Cash			Y2,049	2,167	−4	4.11
Equity Funds						
Insurance Managed			$8.81	9.28		–
Foreign & Colonial Mngt (Jersey) Ltd						
Foreign & Colonial Reserve Asset Fd Ltd						
US$ Cash			$10.60			–
Multicurrency Cash			$16.40		+0.01	–
Sterling Cash			£11.57		+0.01	–
US$ Bonds			$14.52		−0.04	–
Multicurrency Bonds			$19.29		−0.02	–
Sterling Bonds			£12.93		+0.02	–
D Mark Bonds			DM10.57		+0.01	–

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

JERSEY (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Fearful consumers hurt dollar

A QUIET day for the dollar was transformed by the publication of the Conference Board US consumer confidence index at 3pm London time. The index dropped to 46.3 in February, the lowest level since the survey started in 1967.

The confidence numbers pushed the dollar down sharply from DM 1.6480 to DM 1.6350 in what one observer described as "very aggressive selling" – though this was mostly interbank dealing, he said, not corporate interest.

The drop in the confidence index called into question belief in an imminent US economic recovery based on stronger recent retail sales figures and monetary data, said Gerard Lyons of DKB International. Traders also noted that Mr Alan Greenspan, the chairman of the Federal Reserve, told a US senate committee that the drop in the index was "quite disturbing" and that "there is room for the Fed to move [to ease interest rates] if we have to move further".

In spite of the burst of dollar selling, the market was heartened, said Mr Christian Dunis of Chemical Bank, by very good resistance around the DM 1.6375 level. The dollar ended London trading at DM 1.6390, after a DM 1.6460 London start and Monday's close of DM 1.6510. It rallied to end at DM 1.6575 in New York.

Against the yen, the dollar had performed more strongly, helped by an absence of the half-expected Japanese government intervention and by political pressure for lower yen interest rates. On Tuesday, the dollar closed in Tokyo at Y 129.32, and moved in a narrow range in European trading, reaching a high of Y 129.91 before ending at Y 129.20, slightly above Monday's close of Y 129.15. Against sterling the US unit closed at $1.7610, down from an opening $1.7525.

Among European currencies, there was an easing of Spanish interest rates as the Bank of Spain's intervention rate fell from 12.65 per cent to 12.40 per cent. The move was primarily a result of strains within the EMS, not domestic concerns, said Carlos Solchaga, Spain's economy minister. "The peseta has been in the higher band of the ERM, and we thought we could achieve a more balanced situation with a small reduction in rates," he added.

His comments were a clear reference to the way in which the peseta's strength has kept sterling trapped against its lower ERM limit. Yesterday's move on peseta interest rates produced no corresponding easing from the UK authorities, but the pound stayed close to its peseta floor. There was little activity: "The pound was really completely sidelined," commented one trader.

Sterling opened at DM 2.8802, slightly weaker than its previous close of DM 2.8835. During the morning, the pound dipped to DM 2.8791, climbing back to DM 2.8803 at 3pm. The dollar weakness thereafter, which pushed up the D-Mark, left sterling a little easier and it closed at DM 2.8787.

In spite of very good trade figures, the French franc closed slightly lower.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Feb 25	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.337	-3.96	6.12	68
Belgian Franc	42.4032	42.0667	-0.79	2.73	40
Dutch Guilder	2.31643	2.30156	-0.64	2.57	33
D-Mark	2.05586	2.04561	-0.50	2.42	34
Italian Lira	1538.24	1535.45	-0.18	2.10	10
Irish Punt	0.767417	0.766879	-0.07	1.98	5
French Franc	6.89509	6.95546	0.88	1.03	-46
Danish Krone	7.84195	7.92738	1.09	0.81	-48
Sterling	0.696904	0.710231	1.91	0.00	-98

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

£ IN NEW YORK

Feb 25	Close	Previous Close
£ Spot	1.7398-1.7408	1.7460-1.7470
1 month	0.85-0.84pm	0.85-0.84pm
3 months	2.54-2.51pm	2.49-2.47pm
12 months	8.45-8.35pm	[illegible]

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb 25	Previous
[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

Feb 25	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). *Rates are for Feb.24

CURRENCY RATES

Feb 25	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. ‡ All SDR rates are for Feb.24

OTHER CURRENCIES

Feb 25	£	$
[illegible]	[illegible]	[illegible]
Hong Kong	13.5375 - 13.5510	7.7600 - 7.7620
Iran	2468.00*	1420.00*
Korea(Sth)	1332.45 - 1353.95	763.60 - 772.80
Kuwait	0.51320 - 0.51420	0.29350 - 0.29450
Luxembourg	59.15 - 59.25	33.65 - 33.75
Malaysia	4.5215 - 4.5290	2.5900 - 2.5930
Mexico	5271.40 - 5283.15	3060.25 - 3061.25
N.Zealand	3.2250 - 3.2280	1.8465 - 1.8485
Saudi Ar.	6.5150 - 6.5920	3.7495 - 3.7505
Singapore	2.8635 - 2.8705	1.6400 - 1.6420
S.Af (Cm)	4.9890 - 5.0005	2.8610 - 2.8625
S.Af (Fn)	6.3975 - 6.5170	3.6630 - 3.7315
Taiwan	43.65 - 43.75	25.00 - 25.10
U.A.E.	6.3790 - 6.4560	3.6715 - 3.6735

*Floating rate. Iran Official rate:£115.40 $66.95

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE EUROMARK OPTIONS; LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS; LIFFE SHORT STERLING OPTIONS; PHILADELPHIA SE £/$ OPTIONS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON (LIFFE): 20-YEAR 9% NOTIONAL GILT; US TREASURY BOND FUTURES; 6% NOTIONAL GERMAN GOVT. BOND; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; 9% NOTIONAL ECU BOND; 12% NOTIONAL ITALIAN GOVT. BOND (BTP); THREE MONTH STERLING; THREE MONTH EURODOLLAR; THREE MONTH EUROMARK; THREE MONTH ECU; THREE MONTH EURO SWISS FRANC; FT-SE 100 INDEX; FT-SE EUROTRACK 100 INDEX

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* Contracts traded on APT. Closing prices shown.

CHICAGO: U.S. TREASURY BONDS (CBT) 8%; U.S. TREASURY BILLS (IMM); BRITISH POUND (IMM); SWISS FRANC (IMM); JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); THREE-MONTH EURODOLLAR (IMM); STANDARD & POORS 500 INDEX

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PARIS: 7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES; THREE-MONTH PIBOR FUTURES (MATIF); CAC-40 FUTURES (MATIF); ECU BOND (MATIF); OPTION ON LONG-TERM FRENCH BOND (MATIF)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7570	[illegible]	[illegible]	[illegible]	[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

Feb 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7450 - 1.7580	1.7565 - 1.7575	0.86-0.84cpm	5.81	2.51-2.48pm	5.68
Canada	2.0700 - 2.0850	2.0840 - 2.0850	0.55-0.48cpm	2.96	1.46-1.38pm	2.72
Netherlands	3.2300 - 3.2475	3.2375 - 3.2475	[illegible]	0.93	[illegible]	0.84
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Feb 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

Feb 25	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 6-5¾ per cent; three years 6¾-6½ per cent; four years 7⅛-7⅛ per cent; five years 7⅛-7⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Feb.25	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.757	2.880	227.5	9.795	2.610	3.242	2161	2.084	59.20	1.417
$	0.569	1	1.639	129.5	5.575	1.485	1.845	1230	1.186	33.69	0.806
DM	0.347	0.610	1	78.99	3.401	0.906	1.126	750.3	0.724	20.56	0.492
YEN	4.396	7.723	12.66	1000.	43.05	11.47	14.25	9499	9.160	260.2	6.229
F Fr.	1.021	1.794	2.940	232.3	10.	2.665	3.310	2206	2.128	60.44	1.447
S Fr.	0.383	0.673	1.103	87.16	3.753	1	1.242	828.0	0.798	22.68	0.543
N Fl.	0.308	0.542	0.888	70.17	3.021	0.805	1	666.6	0.643	18.26	0.437
Lira	0.463	0.813	1.333	105.3	4.533	1.208	1.500	1000.	0.964	27.39	0.656
C $	0.480	0.843	1.382	109.2	4.700	1.252	1.556	1037	1	28.41	0.680
B Fr.	1.689	2.968	4.865	384.3	16.55	4.409	5.476	3650	3.520	100.	2.394
Ecu	0.706	1.240	2.032	160.6	6.912	1.842	2.288	1525	1.471	41.78	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

Rates close easier

DWINDLING expectations of an imminent UK base rate cut were briefly rekindled first thing yesterday as the Bank of Spain lowered its intervention rate by 25 basis points to 12.40 per cent.

There was a momentary thought that this might be part of a co-ordinated plan to allow a simultaneous UK base rate cut, and in 15 minutes of lively activity the three months interbank rate shed 1/16 to 10¼-10 3/16 per cent. Short sterling futures jumped 9 basis points to 89.90, from an opening of 89.81 and a previous close of 89.80. "The market was split 50/50 on whether there would be a cut", said one dealer.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

The Bank of England forecast a shortfall of about £850m, and invited an early round of bill offers. Dealers were reluctant to tender paper, however, in case there was a base rate cut on the way, and at mid-morning the Bank announced that it had purchased only £6m of Band 1 bank bills outright at 10⅜ per cent. That indication of unchanged interest rates pushed short sterling futures down 5 basis points to 89.86.

For the rest of the day, activity was quiet, with the Bank keeping liquidity tight. Later in the morning, the Bank revised the expected shortfall to £900m, and bought another £30m of Band 1 bank bills at 10⅜ per cent. In the afternoon, the forecast was revised upwards again, to £950m, and the Bank bought £55m of Band 1 treasury bills and £341m of Band 1 bank bills, both at 10⅜ per cent, before providing unspecified late assistance of around £465m.

Overnight money traded as high as 12 per cent. Short sterling futures closed at 89.90, and the three months interbank rate ended 1/16 lower on the day at 10¼-10 3/16 per cent, with the market's belief that a base rate cut is likely around or before the Budget on March 10 strengthened by the day's events. Those expecting a cut sooner rather than later are focusing attention on Thursday, when the January trade figures are due.

German call money rates eased further to 9.40/50 per cent, down from Monday's 9.45/55 per cent. Banks had overestimated the February reserve requirement, dealers said, and found themselves with surplus cash as the month drew to a close.

In the US, Federal Funds traded at 3 15/16 per cent, just below the Federal Reserve's presumed target of 4 per cent. There were no reserve operations, said the Fed.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb 25)	3 months US dollars		6 months US Dollars	
	bid 4¼	offer 4⅜	bid [illegible]	offer [illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

4pm			
[illegible]	[illegible]	[illegible]	[illegible]

Feb.25	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Feb 25	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month [illegible] per cent; three months [illegible] per cent; six months [illegible] per cent. [illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Duncan Lawrie	10.5	Mount Banking	10.5
Henry Ansbacher	10.5	Exeter Trust Ltd	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Financial & Gen. Bank	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	First National Bank Plc	10.5	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10.5	Robert Fleming & Co	10.5	Provincial Bank PLC	10.5
Bank of Cyprus	10.5	Robert Fraser & Ptnrs	10.5	Roxburghe Guarantee Corp	10.5
Bank of Ireland	10.5	Girobank	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Guinness Mahon	10.5	Smith & Williamson Secs	10.5
Bank of Scotland	10.5	Hambros Bank	10.5	Standard Chartered	10.5
Barclays Bank	10.5	Hampshire Trust Plc	10.5	TSB	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk	10.5	United Bk of Kuwait	10.5
Brown Shipley	10.5	Hill Samuel	10.5	Unity Trust Bank Plc	10.5
CL Bank Nederland	10.5	C. Hoare & Co	10.5	Western Trust	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Westpac Bank Corp	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Whiteaway Laidlaw	10.5
Clydesdale Bank	10.5	Leopold Joseph & Sons	10.5	Yorkshire Bank	10.5
Co-operative Bank	10.5	Lloyds Bank	10.5	● Members of British Merchant Banking & Securities Houses Association	
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

NOTICE TO HOLDERS OF

Asahi

ASAHI BREWERIES, LTD.

US$1,000,000,000 3 ¾ per cent. Bonds due 1993 with Warrants

and

US$300,000,000 4 ⅞ per cent. Bonds due 1993 with Warrants

Pursuant to the Terms and Conditions of the above Bonds and Warrants notice is hereby given that effective from 16th March, 1992 The Industrial Bank of Japan, London Branch (one of the Paying and Warrant Agents) is changing its address to:

Bracken House, One Friday Street, London EC4M 9JA

The Dai-Ichi Kangyo Bank (Luxembourg) S.A.
and
The Sumitomo Bank, Limited
(as Principal Paying and Warrant Agents)

WOOLWICH BUILDING SOCIETY

£200,000,000 Floating Rate Notes Due 1995

In accordance with the terms and conditions of the Notes, notice is hereby given that for the interest period from (and including) 24th February 1992 to (but excluding) 26th May 1992, the Notes will carry an interest rate of 10⅝% per cent. per annum. The relevant interest payment date will be 26th May 1992. The coupon amount per £10,000 will be £262.36 payable against surrender of Coupon No 25.

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MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Money Market Bank Accounts

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

JOTTER PAD

CROSSWORD

No.7,783 Set by DINMUTZ

[illegible]														

ACROSS
1 Dispatch-box? (6)
4 Fitted with points and laced (8)
9 Two girls on one knee! (7)
10 Features around Keats' vessel that gets terribly hot (7)
11 Jude's — job to produce marble "Madonna" and Child" perhaps (10)
12 Star part chosen by Bassanio (4)
13 Kid influenced, you could say (5)
14 Cat-o'nine-tails possibly noiseless in the ocean (8)
16 Guys, we hear, handling cases (6)
18 Newspaper process (5)
20 To do with dash? (4)
21 Sitting on my fathers' land? (10)
23 Fake to disappear (4,3)
24 Name one mint assortment (7)
25 Trading does not begin in this London borough — (6)
26 — business has a noisy atmosphere (8)

DOWN
1 Tribunal concise about love (7)
2 — engaged chap keeps name and the money! (7)
3 Clergyman binding? (9)
5 Unpretentious flat (5)
6 Citadel of King accompanied by Merlin, perhaps (7)
7 Couch dog spotted! (9)
10 Set up that is less habit-forming (8)
15 Free table-piece made from deciduous tree? (5-4)
17 Reading of "A Country Girl" (9)
19 Got idea for cultivation of garden-plant (7)
21 German XI at home, small and mischievous (5)
22 Nothing grim in the atmosphere? (5)

Solution to Puzzle No.7,782

[illegible]														

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WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Feb 25	Feb 24	Feb 21	Feb 20	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
◊Industrials	3257.83	3282.42	3280.19	3280.64	3282.42 (24/2)	3172.41 (2/1)	3282.42 (24/2/92)	41.22 (2/7/32)
Home Bonds	98.67	98.56	98.92	98.92	99.81 (6/2)	98.56 (24/2)	99.81 (6/2/92)	54.99 (1/10/81)
Transport	1430.12	1451.79	1466.93	1467.68	1467.68 (20/2)	1342.12 (2/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	204.56	203.74	204.24	206.94	225.59 (3/1)	203.74 (24/2)	236.23 (2/1/90)	10.50 (8/4/32)

◊Day's High 3293.60 (3305.01) Low 3226.74 (3253.58)

STANDARD AND POOR'S	Feb 25	Feb 24	Feb 21	Feb 20	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite †	410.45	412.27	411.43	413.90	420.77 (15/1)	407.38 (18/2)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	488.17	490.59	489.86	492.45	499.27 (15/1)	483.91 (18/2)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	34.45	34.63	34.44	34.50	35.14 (15/1)	33.53 (31/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	226.68	227.62	227.46	228.60	231.85 (15/1)	225.65 (18/2)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	409.78	411.80	412.85	412.86	418.99 (12/2)	395.51 (2/1)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	621.40	624.95	629.75	632.23	644.92 (12/2)	586.45 (2/1)	644.92 (12/2/92)	54.87 (31/10/72)

	Feb 21	Feb 14	Feb 7	year ago (approx.)
Dow Industrial Div. Yield	2.78	2.82	2.88	3.47

	Feb 19	Feb 12	Feb 5	year ago (approx.)
S & P Industrial div. yield	2.60	2.54	2.56	2.91
S & P Indl. P/E ratio	25.03	25.61	25.43	17.89

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Saatchi	4,253,000	½	....
Unisys	3,485,000	9½	+ ⅛
Glaxo	2,690,700	28⅝	- ¾
Gen Motors	2,452,200	36½	- 1¼
RJ Nabisco	2,255,900	10⅝	+ ⅛
Ph Morris	2,254,600	75⅛	+ ⅝
Adv Micro	1,946,600	19⅛	+ ⅛
Chrysler	1,941,400	16⅜	- ½
Telefonos	1,882,700	55	- ⅛
Ford	1,846,200	35⅛	- 1⅛

TRADING ACTIVITY

† Volume (Millions)	Feb 25	Feb 24	Feb 21
New York SE	206.584	175.174	259.540
Amex	14.336	15.407	18.896
NASDAQ	(u)	172.924	246.848
NYSE			
Issues Traded	2,203	2,234	2,230
Rises	654	716	730
Falls	1,056	1,020	976
Unchanged	493	498	524
New Highs	44	74	119
New Lows	27	21	17

CANADA

TORONTO	Feb 25	Feb 24	Feb 21	Feb 20	1992 HIGH	1992 LOW
Metals & Minerals	3107.15	3143.17	3132.01	3120.52	3238.87 (16/1)	2935.22 (2/1)
Composite	3544.90	3543.30	3536.60	3537.00	3666.00 (16/1)	3493.66 (2/1)
MONTREAL Portfolio	1865.08	1863.92	1856.17	1851.90	1937.59 (16/1)	1851.90 (20/2)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10, and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/…

TOKYO - Most Active Stocks
Tuesday 25 February 1992

	Stocks Traded	Closing Prices	Change on day
Chiba Bank	3.1m	940	+10
Shizuoka Bank	2.6m	1,220	+10
Mitsubishi Kasei	2.6m	494	+3
Mitsubishi Mat	2.4m	508	+1
Sumitomo For	2.3m	1,730	-10
Dainippon Ink	1.8m	627	+4
Mitsubishi Heavy	1.9m	651	-2
Nissan Chem	1.8m	797	-3
Mitsubishi Trust	[illegible]	1,250	-20
Nippon Steel	1.7m	[illegible]	-1

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

4:00 pm prices February 25

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

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- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

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NYSE COMPOSITE PRICES

Continued from previous page

[illegible]

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Ch'ge
82¼	68½	Xerox	3.00	3.8	16	1042	78¾	77½	78	–⅛
53½	50½	Xerox4.125				4	82	82	82⅞	
27½	24⅞	Xtra 1.94	1.94	7.3		33	26½	26½	26½	–⅛
34¾	28⅛	Xtra Corp	0.80	2.5	15	46	32½	32½	32½	–⅛
27	25¼	Yankee Egy	1.50	6.0	13	103	26½	26½	26½	–⅛
1⅞	⅞	Zapata			31	475	1¼	1⅞	1¼	
11¼	7¼	ZenithElec			5	306	9¼	9⅜	9¼	
16⅞	14½	Zenith Nat	1.00	6.6	6	38	15⅛	14⅞	15⅛	+⅛
6¼	5	Zenix Inc x	0.84	12.7		179	6⅝	6½	6⅝	
13¾	11⅞	Zero Corp	0.40	3.0	20	38	13⅞	13¼	13⅞	+⅛
38	34¼	Zurn Ind	0.88	2.4	16	529	37⅞	37	37¼	+⅛
14¼	13⅛	Zweig Fund	1.16	9.0		390	13¼	d12⅞	12⅞	–⅛
11	9⅞	Zweig Totl	0.95	9.5		574	10⅛	10	10⅛	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices February 25

[illegible]

POLAND

The FT proposes to publish this survey on
28th April 1992.
This survey will be included in the FT of that day and will be printed in London, Frankfurt, Roubaix, New Jersey and Tokyo. It will be distributed in 160 countries world-wide.
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FT SURVEYS

NASDAQ NATIONAL MARKET

4:00 pm prices February 25

[illegible]

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		30	4919	30¼	28¾	29	–½
Xoma Corp		12	4853	23	22	22	–¾
Yellow Fr	0.94	32	1084	32¼	30⅞	31	–⅞
York Rsch		47	1551	6¼	5¾	5¾	–¼
ZionsUtah	1.44	9	565	48	46½	47¼	+¼

BRUSSELS

The FT proposes to publish this survey on
April 3 1992.
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Data source: The European Business Readership Survey 1991

FT SURVEYS

AMERICA

Dow unsettled by decline in consumer confidence

Wall Street

A WEAKER than expected consumer confidence report unsettled the equity market yesterday, sending share prices lower across the board, *writes Patrick Harverson in New York.*

The Dow Jones Industrial Average finished above its low for the day but was still down 24.59 at 3,257.83. The Standard & Poor's 500 lost 1.82 at 410.45, while the Nasdaq composite of over-the-counter stocks fell 3.53 to 621.40. Turnover on the New York SE came to 210m shares, and declines led rises by 1,066 to 642.

Although the Dow indicator has crept up to new highs in recent days, the underlying tone of the market has been weak, and news of the decline in the Conference Board's February consumer confidence index to 46.3 – the lowest level since December 1974 – provided a good excuse for selling.

The fall in the consumer confidence index was unexpected, as was an equally damaging decline in the Conference Board's measurement of consumer expectations, which pointed to more trouble for the economy. Even Mr Alan Greenspan, the Federal Reserve chairman, who has made positive noises recently about an economic recovery, was moved to call the confidence figures "quite disturbing".

Leading stocks were lower across the board. IBM fell $1¼ to $88¾, Merck $2⅞ to $152⅝, Procter & Gamble $1⅛ to $100⅝ and General Electric $⅞ to $79⅞.

Motor shares were particularly hard hit, having been bought recently on hopes that rising consumer confidence would boost car sales. Ford slipped $1¼ to $35⅝, General Motors $1⅛ to $36½ and Chrysler $⅛ to $16⅞.

A rare gain was reported by SmithKline Beecham, which climbed $1¾ to $73⅞ on news of a 16.5 per cent rise in annual pre-tax profits and plans for a two-for-one stock split.

Wells Fargo dipped $⅝ to $71⅞ after credit rating agency Moody's downgraded $4bn of long-term senior debt and commercial paper because of concern about the outlook for the bank's asset quality.

On the over-the-counter market, Intel weakened $1⅝ to $63⅞ as investors reacted to news that an arbitrator had granted Advanced Micro Devices, up $⅜ at $19¼, rights to the technology in its clone of Intel's 386 microprocessor.

Canada

THE Toronto market closed mixed after moderate trading, as dealers awaited the announcement of the Canadian government's Budget for the 1993 fiscal year.

The composite index ended a slight 1.7 firmer at 3,544.9, but falls outnumbered rises by 297 to 262 after volume of 32.5m shares worth C$238.3m.

Venezuela takes coup attempt in its stride

High domestic liquidity has helped the Caracas exchange to recover, says Joe Mann

Even an attempted coup earlier this month failed to do any lasting damage to confidence on the Caracas Stock Exchange.

The stock market was closed during the failed military uprising against the government of President Carlos Andres Perez on February 4. When trading resumed on February 6, the Caracas Stock Exchange index fell by more than 9 per cent over the next four trading days. But since then the market has recovered.

The index closed at 34,142 in nominal terms on February 3, a rise of 16.5 per cent from the end of 1991. Some investors – mostly individuals – sold shares in the wake of the military uprising, but there was no panic. On February 24, the index closed at 31,378, an increase of 7 per cent since the end of December.

However, the stock market has not performed so well in dollar terms, notes Mr Federico Laffan at the London-based Latin American Securities Limited, because of the fall in the bolivar against the dollar. The index in dollar terms closed at 548.6 on February 3, a rise of 15.4 per cent since the end of December, but ended at 480.1 on Monday, just 1 per cent higher than at the end of 1991.

Mr Laffan says that while the stock market was not ruffled by the failed coup, the foreign exchange market tells a different story. The bolivar has fallen to 65.4 against the dollar from 62.2 just before the uprising as Venezuelans switched into the safety of the dollar or took their funds out of the country.

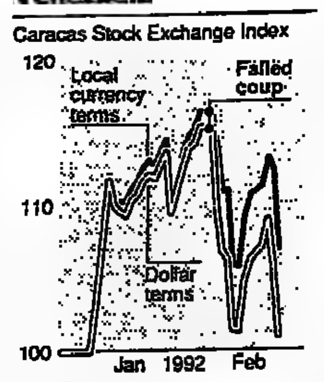
The swift crushing of the coup, the first in Venezuela since the early 1960s, has helped maintain confidence in the stock market.

Moreover, the government has pledged to continue its three-year old economic reform programme, in spite of its broad unpopularity.

Reforms initiated in 1989 produced a sharp decline in economic growth that year, and had caused a painful fall in living standards. The programme generated 5.3 per cent GDP growth in 1990 and an expansion of 9.2 per cent last year, the highest growth rate in

Venezuela

Caracas Stock Exchange Index



Source: Datastream

Latin America. But the country still suffers from inflation, which stood at 30.7 per cent last year.

The Caracas Stock Exchange, which rose 34.3 per cent in dollar terms in 1991 after a huge 555 per cent jump in 1990, continues to attract domestic and foreign attention, especially in the latter case, from emerging market funds.

Venezuelan investors - both individual and institutional – have been drawn to the stock market because of high domestic liquidity, caused by falling rates on certificates of deposit and other fixed income instruments and lower US interest rates.

Trading this year has been brisk, even though the exchange offers only a dozen or so active shares. According to Mr Alex Dalmady, president of a Caracas advisory firm InvestAnalysis: "Demand for shares has been growing, but supply has not. Therefore, prices have inevitably climbed to new heights. Quick profits are feeding the frenzy."

Mr Dalmady feels that stock prices are high "by most yardsticks", with price/earnings multiples for 15 financials averaging 24 and for the 21 industrial stocks 35 at the end of January.

Share supply has increased in one area, however, as industrial companies place their shares abroad and at home via American Depositary Receipts (ADRs) or Shares and Global Deposit Shares (GDSs).

Sivensa, the country's largest private steel maker, was the first Venezuelan company to enter the ADR market, placing its shares in the US in 1991. Since then other companies including Corimon, a diversified industrial group, and Venepal, a paper producer – have also placed shares abroad.

One sign of continuing investor confidence in Venezuelan equities was the successful international and domestic placing of 2.6m GDSs by Corimon during the abortive uprising. Each GDS is worth 25 Class B Corimon shares.

Foreign listings are also likely to increase. Madosa, Venezuela's leading producer of domestic appliances, last year became the first foreign company to be listed on the Caracas Exchange.

The exchange, which recently moved into new headquarters, still continues to be plagued by problems such as back office bottlenecks and lack of computerised systems. The market remains relatively small, and a trade of $500,000 to $1m can have a strong effect on prices. Trading in 1991 totalled $2.3bn, up from $1.1bn in 1990.

Brazil rises despite debt talks

By Bill Hinchberger in São Paulo

THE SAO Paulo and Rio de Janeiro stock markets were surprisingly firm yesterday in spite of news that Brazil's negotiations with the Paris Club of official creditors had run into difficulties.

The São Paulo Bovespa index had risen 1.4 per cent by midday in strong volume of Cr89.8bn ($61m), recouping a drop recorded on Monday that was mostly due to profit-taking. The Rio de Janeiro index showed a 0.9 per cent increase, following a 0.3 per cent rise on Monday.

Both exchanges experienced strong upswings last week, as the government's export incentive package, indications of a modest decline in the monthly rate of inflation, and progress in the debt talks all encouraged investors. The Bovespa index chalked up a 26.7 per cent increase last week, with daily turnover rising above Cr100bn.

With the emergence of stumbling blocks in the Paris Club talks and the onset of Carnival, the traditional holiday beginning on Saturday, many traders expect the market to slow down this week.

"During the Carnival season, things are always lukewarm," a broker commented.

ASIA PACIFIC

Nikkei recovers in arbitrage-related trading

Tokyo

SHARE prices rose slightly yesterday, as denials by a former prime minister regarding his involvement in an alleged bribery scandal relieved the market, *writes Emiko Terazono in Tokyo.*

The Nikkei average recovered 52.31 at 21,025.56, after a day's low of 20,742.53 and high of 21,093.90. Volume picked up to 160m shares from 130m in trading dominated by arbitrage-related activity.

In spite of the improvement in the Nikkei, declines led advances by 507 to 370 with 210 issues unchanged. The Topix index of all first section stocks ended 0.85 easier at 1,535.97, and in London the ISE/Nikkei 50 index lost 0.77 to 1,172.17.

The market focused on the testimony by Mr Zenko Suzuki, the former prime minister, before the lower house budget committee. Mr Suzuki denied allegations that he had played an active role in connection with an alleged bribery scandal involving Kyowa, the bankrupt steel frame builder and property developer.

The futures market gained strength in the afternoon after the parliamentary hearing.

Traders said there were lingering hopes of an early cut in the discount rate. Mr Kozo Watanabe, minister of international trade and industry, called for a discount rate reduction. "The market now looks to the Bank of Japan's quarterly survey of business sentiment," commented Mr Shigeru Akiba of UBS Phillips & Drew.

Brokerage stocks fell on reports that securities companies were helping investors to window dress their accounts by selling loss-carrying investments to other clients.

The chairman and vice-president of Cosmo Securities, a second-tier brokerage house, resigned after Cosmo announced an out-of-court settlement with Skylark, a restaurant chain, which claimed that it had incurred losses due to Cosmo's trading practices. Cosmo was untraded due to a lack of buyers and closed at an offered price of Y540, down Y30, and Daiwa Securities fell Y28 to Y970.

Nippon Telegraph and Telephone rose Y7,000 to Y708,000 on comments by a finance ministry official in favour of a stock split. An increase in the stock's liquidity is likely to make it more attractive.

High-technology issues suffered losses on earnings worries. Fujitsu declined Y6 to Y715 and Matsushita Electric Industrial dipped Y10 to Y1,340. Oki Electric Industry initially fell after reports that its non-consolidated pre-tax profit will fall 95 per cent to Y1bn, but late bargain hunting left the issue a net Y5 up at Y514.

In Osaka, the OSE average slipped 92.07 to 22,581.90 in volume of 192.5m shares. Heavy window dressing by companies and financial institutions wishing to realise profits ahead of the March fiscal year-end pushed up activity.

Roundup

THE NEW peak for Wall Street lifted some markets in the Pacific Rim. Bombay was closed for local elections.

HONG KONG was led higher by selected blue chips ahead of results due in the next couple of weeks. The Hang Seng index closed 44.58 stronger at 4,760.20 in turnover of HK$1.89bn, against HK$1.6bn.

Results of a land auction boosted the property sector. Henderson Land gained 30 cents to HK$16.10 while New World rose 20 cents to HK$14.30.

China Light and Hong Kong Telecom climbed 40 cents to HK$27 and 10 cents to HK$7.95 respectively.

KUALA LUMPUR finished lower on news that a $3bn law suit had been lodged in California against Bank Bumiputra. The composite index fell 8.57 to 602.39 in volume of 46.7m shares, against 65.3m.

The law suit action also affected SINGAPORE, where the Straits Times Industrial index closed 21.47 down at 1,493.27 in turnover of S$140.5m. Jurong Shipyard recorded the biggest loss of the day, falling 50 cents to S$10.30.

BANGKOK eased on profit-taking in the banking sector: the SET index shed 2.83 to 810.45 in turnover of Bt10.4bn. Bangkok Bank dropped Bt36 to Bt740.

SEOUL declined as rising interest rates depressed sentiment. The composite index ended 5.66 lower at 632.07 in turnover of Won230.6bn.

Goldstar, the electronics company, retreated Won600 to Won14,100 after reporting disappointing 1991 net profits. Samsung Electronics dipped Won400 to Won32,000 on poor results forecasts.

TAIWAN was pulled down by profit-taking, the weighted index losing 82.51 or 1.6 per cent to 4,987.73 in turnover of T$42.7bn. Analysts said investors still lacked confidence in the market, although there was no underlying bad news.

MANILA was boosted by the rise in the US of Philippine Long Distance Telephone shares. The composite index put on 26.84 to 1,215.15.

AUSTRALIA closed off an earlier high that was spurred by strong domestic buying of bank, mining and building stocks ahead of yesterday's economic statement. The All Ordinaries index gained 12.9 at 1,639.8 in turnover of A$286.5m.

In the banking sector, National Australia advanced 12 cents to A$7.58 and Commonwealth 14 cents to A$7.44.

NEW ZEALAND saw thin volume, but a strong performance in Telecom, which put on 6 cents to NZ$2.42, helped the market to rise. The NZSE-40 index added 11.89 at 1,501.43 in NZ$14m turnover.

EUROPE

Profit-taking and early fall in NY depress bourses

SENIOR BOURSES ran into profit-taking yesterday and an early drop on Wall Street depressed later-closers, *writes Our Markets Staff.*

FRANKFURT consolidated after its recent gains. The DAX index closed 1,722.30, down 6.80, while the FAZ index, calculated at midsession, eased 0.29 to 701.69. Volume rose to DM7.3bn from DM6.9bn.

Utilities were in the limelight yesterday. RWE opened at the day's high of DM398.10 on a buy recommendation from Deutsche Bank but a lack of follow-through buying left the stock down 10 pfg at DM394.20 at the close. Veba rose DM2.50 to DM374.20 following excellent results from its trading subsidiary, Raab Karcher. The stock was also lifted by a buy recommendation from James Capel.

Elsewhere, the supermarket chain Coop rose DM97 to DM2,200 as the trial against its former management started. Commerzbank, which will list its shares in Milan on January 30, eased DM1.50 to DM261.50.

PARIS ran into profit-taking after its recent rally. A weak opening on Wall Street also weighed on the market. The CAC-40 index came off a high of 1,991.70 to close down 22.99 at 1,953.53. Volume fell to FFr2.7bn from FFr3.6bn.

Cerus, the French holding company of Mr Carlo de Benedetti, remained active, adding FFr1.60 to FFr136.10 with 681,400 shares traded. Dealers reported options-related arbitrage activity.

Blue chips which were heavily bought last week fell back, with Michelin down FFr4.90 to FFr164.90 and Lafarge losing FFr5.10 to FFr351. But Chargeurs added FFr16 to FFr1,171 in good volume of 22,925.

AMSTERDAM saw active trade in Unilever after it reported 1991 results in line with expectations. The stock closed down Fl 5.70 or nearly 3 per cent at Fl 188.40 on late selling by US investors and reports that US consumer confidence was at its lowest for 17 years. The CBS Tendency index closed down 0.4 at 125.8 in turnover of Fl 770m.

Philips, which reports tomorrow, rose Fl 0.10 to Fl 32.50, while Akzo, whose 1991 results are due today, gained Fl 2.20 to Fl 147.70.

MILAN got further encouragement from Monday's inflation data, though some analysts said this was not the start of a pre-election rally. The Comit index rose 4.96 to 545.04 in turnover estimated at L115bn after L91.8bn.

Fiat rose by L182 or 3.7 per cent to L5,050, mainly on short-covering.

Pirelli was volatile as traders spotted an arbitrage opportunity between the ordinary shares and the rights. The rights jumped L33 to L83 while the ordinaries rose L75 to L1,200.

Ansaldo Trasporti was temporarily suspended after a big buy order pushed the stock up by its daily limit of 10 per cent. There have been rumours that Ansaldo will announce a joint venture with Breda in the railway sector. Trading resumed at the official fixing, at which the stock rose L90 or 2.5 per cent to L3,630.

MADRID opened strongly on news that the central bank had cut the intervention rate, but fell on a weaker Wall Street. The general index closed down 0.81 at 259.54. Iberdrola gained Pta5 to Pta748.

STOCKHOLM closed weaker after results from SE Banken failed to lift sentiment. The Affärsvärlden General index closed down 4.1 at 927.2 in turnover of SKr311m. SE Banken, which reported an expected 30 per cent decline in 1991 profits, rose SKr2 to SKr45.

ZURICH followed Frankfurt lower. The SPI index closed down 2.6 at 1,136.9. Sulzer rose on reports that it would allow foreign investors to buy its registered shares as soon as a stake held by Omni Holding, the collapsed financial company, has been placed. Sulzer certificates rose SFr9 to SFr548.

BRUSSELS closed down on Wall Street. The Bel-20 index declined 3.25 to 1,193.64 in turnover of BFr990m.

FT-SE Eurotrack 100 - Feb 25

Hourly changes

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1157.96	1167.80	1165.00	1163.12	1162.65	1162.22	1160.65	1156.42

Day's High 1168.86 Day's Low 1154.20

Feb 24	Feb 21	Feb 20	Feb 19	Feb 18
1163.91	1164.61	1149.62	1140.09	1143.83

Base value 1000 (26/10/90).

SOUTH AFRICA

JOHANNESBURG finished near the day's high, helped by a higher gold price and a softer financial rand. The overall index gained 32 to 3,543 and the all-gold index climbed 27 to 1,215. The industrial index climbed 26 to 4,349.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	TUESDAY FEBRUARY 25 1992: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY FEBRUARY 24 1992: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1991/92 High	1991/92 Low	Year ago (approx)
Australia (69)	146.35	+1.2	123.49	119.75	124.74	129.56	+0.8	4.26	144.68	122.75	118.07	123.96	128.46	160.31	112.74	135.96
Austria (20)	186.43	+0.4	157.31	152.56	158.91	158.31	-0.7	1.82	185.68	157.53	151.53	159.09	159.41	222.37	153.86	216.23
Belgium (46)	140.26	+1.2	118.36	114.77	119.55	116.57	+0.3	5.05	138.55	117.55	113.06	118.71	116.17	151.20	118.04	148.66
Canada (115)	134.36	-0.1	113.37	109.93	114.51	115.34	-0.2	3.19	134.44	114.06	109.71	115.18	115.56	144.28	126.49	135.95
Denmark (36)	246.67	-0.5	208.14	201.84	210.25	214.29	-0.5	1.67	247.83	210.26	202.25	212.34	215.35	273.94	217.74	266.03
Finland (15)	85.59	-1.1	72.23	70.04	72.96	80.90	-1.4	2.46	86.55	73.43	70.63	74.16	82.04	125.15	73.32	113.22
France (108)	153.71	-0.6	129.70	125.77	131.01	134.42	-1.1	3.31	154.67	131.23	126.21	132.51	135.93	154.70	119.11	146.05
Germany (65)	119.18	+0.4	100.56	97.53	101.58	101.58	-0.1	2.27	118.68	100.68	96.86	101.68	101.66	125.35	94.15	121.65
Hong Kong (55)	197.43	+0.9	166.59	161.55	168.29	196.72	+0.9	3.86	195.68	166.01	159.68	167.66	194.97	198.44	119.62	142.97
Ireland (18)	163.95	+0.5	138.35	134.16	139.75	142.03	+0.0	3.60	163.14	138.41	133.16	139.77	142.02	182.46	132.88	167.20
Italy (77)	76.99	+1.8	64.97	62.99	65.62	70.74	+1.3	3.27	75.65	64.18	61.73	64.81	69.86	88.23	64.76	87.08
Japan (473)	116.64	-0.3	98.42	95.44	99.43	95.44	+0.0	0.89	116.95	99.22	95.43	100.21	95.43	146.97	116.27	143.99
Malaysia (68)	243.22	-2.0	205.23	199.01	207.31	242.75	-1.8	2.74	248.10	210.49	202.46	212.56	247.29	250.16	189.18	230.51
Mexico (18)	1686.77	+0.2	1423.33	1380.24	1437.76	5644.72	+0.2	0.98	1683.80	1428.54	1374.08	1442.66	5634.31	1694.11	534.45	589.94
Netherland (31)	150.76	+0.1	127.21	123.36	128.51	125.95	-0.4	4.32	150.66	127.84	122.96	129.10	127.50	158.48	125.70	141.12
New Zealand (14)	46.03	+1.1	38.84	37.66	39.23	45.15	+1.0	6.08	45.52	38.62	37.15	39.00	44.72	54.64	41.18	48.40
Norway (24)	162.08	-0.3	136.76	132.63	138.15	140.90	-1.2	1.74	162.53	137.89	132.64	139.26	142.57	223.24	157.08	206.58
Singapore (38)	218.07	-1.0	184.01	178.44	185.87	164.91	-1.2	2.12	220.26	186.87	179.74	188.71	166.97	228.43	151.63	195.07
South Africa (61)	220.22	+0.7	185.83	180.20	187.71	177.96	+1.1	2.81	218.71	185.56	178.48	187.38	176.08	271.99	173.00	197.47
Spain (52)	155.61	+0.1	131.30	127.33	132.63	121.18	-0.4	4.57	155.52	131.95	126.92	133.25	121.66	171.12	131.51	165.40
Sweden (25)	174.61	-0.2	147.34	142.89	148.84	153.68	-0.7	2.93	174.91	148.39	142.74	149.86	154.71	204.12	146.60	192.76
Switzerland (59)	99.35	+0.2	83.83	81.30	84.69	91.47	-0.2	2.19	99.19	84.15	80.95	85.00	91.69	104.22	82.17	98.39
United Kingdom (233)	178.51	+0.0	150.63	146.08	152.14	150.63	-0.5	4.95	178.43	151.38	145.59	152.66	151.38	187.44	156.27	179.42
USA (523)	167.51	-0.4	141.35	137.07	142.78	167.51	-0.4	2.92	168.10	142.62	137.19	144.03	168.10	171.66	125.95	147.07
Europe (809)	145.72	+0.1	122.96	119.24	124.21	124.32	-0.4	3.89	145.51	123.45	118.75	124.68	124.79	151.52	125.50	147.37
Nordic (100)	173.02	-0.3	146.00	141.59	147.49	145.96	-0.7	2.20	173.63	147.31	141.69	148.77	146.94	200.81	155.55	192.73
Pacific Basin (717)	120.29	-0.2	101.50	98.43	102.53	99.43	+0.0	1.24	120.50	102.23	98.34	103.25	99.38	145.92	117.86	143.25
Euro-Pacific (1526)	130.72	+0.0	110.31	106.96	111.42	110.01	-0.1	2.42	130.77	110.95	106.71	112.04	110.17	147.66	121.29	145.29
North America (638)	165.40	-0.3	139.57	135.36	141.01	163.96	-0.3	2.93	165.96	140.81	135.45	142.22	164.53	169.69	125.91	146.30
Europe Ex. UK (576)	125.66	+0.2	106.03	102.84	107.13	108.92	-0.3	3.13	125.39	106.38	102.35	107.46	109.24	129.80	103.59	127.62
Pacific Ex. Japan (244)	156.36	+0.5	131.94	127.96	133.29	140.14	+0.3	3.81	155.63	132.04	127.02	133.36	139.66	156.39	111.40	133.50
World Ex. US (1720)	132.82	+0.0	112.08	108.69	113.22	112.24	-0.1	2.44	132.85	112.71	108.42	113.83	112.37	148.16	122.32	145.75
World Ex. UK (2010)	140.19	-0.2	118.30	114.72	119.51	127.11	-0.2	2.35	140.44	119.15	114.61	120.34	127.33	150.59	120.06	141.71
World Ex. So. Af. (2182)	143.05	-0.2	120.71	117.07	121.94	126.89	-0.2	2.62	143.28	121.56	116.94	122.77	129.18	153.05	122.92	144.74
World Ex. Japan (1770)	159.06	-0.1	134.22	130.17	135.60	148.72	-0.3	3.29	159.23	135.09	129.95	136.45	149.16	161.90	126.69	147.04
The World Index (2243)	143.52	-0.2	121.11	117.45	122.34	129.33	-0.2	2.63	143.74	121.96	117.31	123.16	129.60	153.70	123.28	145.05

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ROSEBYS

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of 10,210,868 Ordinary shares of 25p each at 115p per share payable in full upon application

Share capital following the placing

Authorised		Issued and fully paid
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County NatWest Limited
Lion House
41 York Place
Leeds LS1 2ED

Rosebys PLC
2 Stevenson Road
Sheffield
S9 3XE

County NatWest Limited
135 Bishopsgate
London
EC2M 3UR

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Infrastructure: Repair work has so far only scratched the surface............ Page 4

Telecommunications: AT&T and Ericsson battle for market share......Page 6

On the anniversary of Kuwait's liberation, "Kuwait for the Kuwaitis" sums up what many Kuwaitis hope will be the most apparent change in the emirate's post-war character. But a number of Kuwaitis are less sure of the benefits of removing at a stroke a core component of the country's educated Arab middle class. **Mark Nicholson** investigates

Foundations of the future

A year after liberation, Kuwait City is spruced up and tidied. Kuwaitis are determined to present a spirit of post-war assurance

A PAIR of bumper stickers on a brand new Chevrolet Caprice outside a Kuwait hotel sums up much of the sentiment in the emirate a year after liberation. One reads: "Kuwait is Free, thank you America!" The *other, beneath it, proclaims*: "Kuwait for the Kuwaitis".

Not only do the slogans illuminate Kuwait's determination to present a spirit of post-war assurance; the medium itself says much about how Kuwaitis have striven to package and contain the memories of their ordeal.

With Kuwait City now spruced up and tidied, the skies cleared of depressing clouds from the oil fires and the rusting detritus of war visible only on excursions out of the city, Kuwait has sought to render memories of the war in *uniting, patriotic colours*.

Bright, triumphalist murals adorn city walls and a new memorial of a shattered Iraqi tank, surrounded by the flags of members of the coalition of couyntries which evicted the Iraqis, sits beside the Information Ministry.

Early tensions between those 200,000 Kuwaitis who endured occupation and the 400,000 who fled have been dissolved in part by a campaign to unite all Kuwaitis around the yellow flags, fluttering across the city, reminding them of the 1,053 Kuwaitis who have yet to return from Iraq.

While the past is being taken *care of*, the foundations of Kuwait's post-war future are also becoming increasingly clear. The slogan "Kuwait for the Kuwaitis" serves as well as any to sum up what the government, and the greater part of Kuwaitis themselves, hope will be the most apparent *change in the emirate's post-war character*.

From the moment of Kuwait's liberation, the government declared its intention that Kuwaitis, previously a 38 per cent minority in the emirate's pre-war population of 3.2m, should enjoy a majority *in their own country*.

Today, thanks essentially to the banishment of up to 400,000 Palestinians and Jordanians – "non-preferred nationalities" is the bureaucratic euphemism – and a determined policy of having no non-Kuwaiti nationality comprise *more than 10 per cent of the* total population, this intention looks likely to stick.

The policy is not without its costs or its critics. Not only has it shorn Kuwait of the best of its technical and managerial expatriate workers, it has also deprived the emirate of nearly *100,000 families* who made their home in Kuwait, and in turn made a living for a large body of Kuwaiti merchants. But many Kuwaitis, who have always been suspicious of the Palestinians' political ambitions in the emirate, seem content to pay this price.

"*I don't see it as a social* cost – more a security gain," says the Kuwaiti manager of an engineering company who has lost all but a handful of his best trained staff.

But a number of Kuwaitis are less sure of the benefits of removing, at a stroke, a core *component of the emirate's* educated, Arab middle class and replacing it largely with bachelor workers. "The place of expatriates in this country should be more than just working and sleeping," says a Kuwaiti banker.

Moreover, the resulting *shortage of middle-manage*ment skills in the emirate implies the need for Kuwaitis to fill jobs they have historically shunned and, for all the jolt caused by the war, show no signs yet of embracing.

Nevertheless, Kuwait's ambition to curb its population is *one of several the government* struggled to achieve before the Iraqi invasion, but which the war suddenly put within reach. Another is the job of clearing the country's banks of the billions of dinars of bad debt which has shackled them since the collapse in 1982 of the *rashly speculative Souq al* Manakh kerb stock market.

In the post-war economic hiatus, the government has seized the chance to propose a massive buy-out of the debt in return for government bonds.

The government also looks set to wash its hands of pre-*war subsidies for non-oil manu*facturing industries in the emirate – a trendy and expensive enterprise undertaken by all Gulf states throughout the 1980s in the name of economic diversification, but one which in Kuwait was sponsored with mixed government feeling and *met with indifferent success*.

As a mark of the post-war shift, the Industrial Bank of Kuwait has stopped granting *concessionary* lending – the very reason it was established. Manufacturing in Kuwait has lain moribund since liberation and appears about to die.

Kuwait's economy will therefore – at least for the next few years – shrink with its population and rely more obviously on its oil revenues alone. These, the oil fires having been quenched with a speed matched by the industry's recovery in output, should be *near pre-war levels by the end* of 1992.

"In the final analysis," says a senior official with National Bank of Kuwait by way of an economic precis, "this is a country which can pump 2m barrels of oil a day. We can rebuild our oil facilities and we *know how much that will* cost."

However, the loss of much of Kuwait's pre-war investment income, with as much as $30bn of its 1990 portfolio of about $65bn in overseas holdings having been liquidated to pay off war-related costs, means *the emirate will have to watch* its domestic expenditure and perhaps borrow more than the $5.5bn syndicated international loan signed late last year.

The spectre of rising costs and falling revenues alarms some economists. "The most important thing now is to stop *driving the country towards a* permanent deficit, both internal and external," warns Mr Jassem al-Saddoun, a prominent Kuwaiti economist who declares pessimism over the government's attempts to take full control of the economy.

But the government hopes *that fewer expatriates will* mean less spending on public services. Also, the total reconstruction bill, which optimistic foreign contractors put at $100bn as the war ended, looks certain to settle at a far more modest $20bn. About half of this will be spent on repairing *the oil industry and the great*est part of the remainder will go towards putting Kuwait's armed forces back on their feet.

Rebuilding apart, the government's economic priorities will otherwise revolve around spreading what it can afford of *Kuwait's oil income as widely* and judiciously as possible – a particular priority in this election year, but always at the root of most government thinking in the emirate.

"Economic policy here is not so much about creating the right circumstances for production, more getting the distribution right," remarks a local economist.

Dividing up the pie has always been the central feature of Kuwaiti politics and the war has not changed this. In accomplishing this task, the government has been careful recently to consult closely with the National Council, the interim assembly reconvened after liberation by Sheik Jaber al Sabah, the Emir, as a stopgap consultative body to tide the country over until the October's elections to the full National Assembly.

The Emir suspended the National Assembly in 1986 in the face of its strident opposition to some of his appointed ministers. He created the Council early in 1990 to head off opposition calls for the Assembly's restitution.

The Council, decried by opposition groups as unconstitutional in the absence of the full Assembly, is widely seen, not least by some of its own members, as the government's training school for loyalist candidates in the next election.

Its 75 members, half of whom are government appoin*tees, will certainly claim credit* for prodding the government into the popular decision to raise salaries in the civil service, which employs the vast majority of Kuwaitis, by 25 per cent. Some 42 National Councillors said this month that they would contest the October *poll*.

At least as many opposition candidates will stand, representing the familiar and divergent strands of leftist, liberal and Islamic thinking in Kuwait, united at least in demanding that the new parliament should exercise a limit on *the exercise of the al-Sabah* family's ruling power – a familiar rallying point which long predates the war.

It is too soon properly to assess the likely strength of this opposition challenge at elections in eight months' time, for while stern criticism *of the government's indecision* and lack of managerial talent is widespread among Kuwaitis, so, too, is the popularity of much of what the government has been seen to achieve.

By signing military co-operation pacts with the US and UK, the government has made Kuwaitis feel more secure than they have done for years. Oil *revenues* are reviving apace and the government has wasted no time in putting a little of this money into most pockets, both through pay rises and by writing off outstanding consumer loans.

The post-war arrival of 100,000 new cars in the emirate *and countless thousands of* brown and white goods testifies to how much Kuwaitis have enjoyed their re-stocking.

Indeed, the overriding Kuwaiti concern these days appears to be restoring private and family life. "Everyone is only concerned with them*selves*," *says Mr Jasem Qabazard*, a National Council member. "Everyone is preoccupied."

If the result is to create a strong and pervasive feeling of introspection and insularity in Kuwait, few Kuwaitis seem worried by that. "The feeling is, Allah gave us oil and we will *enjoy that in peace*," *says* one western diplomat. "It is a dream of being outside the world."

IN THIS SURVEY

☐ *Editorial production: Phil Sanders*

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■ TRADE AND INDUSTRY

Shopping spree curtailed

STRIP a country of its valuables and the chances are it will go on a shopping spree at the earliest opportunity to restock.

This is what has happened in Kuwait, but the spree has been less than frenetic. Several factors have prevented the spending boom that western exporters had hoped for and the government's policy of trying to make Kuwait truly Kuwaiti, as it sees it, has reduced the population.

About 400,000 Palestinians, many of whom earned relatively high wages in professional and technical positions, are no longer there. Kuwait's overall market is barely two-thirds of its pre-war size.

The Kuwaitis and expatriates who have returned since the war have been less inclined, and less able, to spend than before, mainly because of their reduced means and reduced creditworthiness.

Individual country's exports to Kuwait are either little changed from pre-war levels or they are dramatically lower.

US companies have maintained or increased their sales to Kuwait by taking a bigger slice of a smaller cake. They have lifted sales largely at the expense of Japanese exporters and, to a lesser extent, the Germans. US sales have been helped by the Kuwaiti "thank you" factor since the war. The government has favoured goods from those countries that took part in the allied war effort against Iraq, in particular the US.

Certain items have enjoyed a one-off replacement surge, but the rest of the market is flat. Where sales have boomed, the boom has been shorter and less intense than exporters had hoped. An immediate post-war jump in sales of cars, electrical goods and food is levelling off.

Aside from spending still to come on reconstruction, the boom, such as it was, is petering out.

Restocking in the cars sector was underway within weeks of the Iraqi departure last February. More than half the country's 560,000 cars, trucks and buses were stolen or destroyed. Government ministries, shops and offices were virtually stripped. The Iraqis left with cars, computers, industrial machinery, food and an array of spare parts.

American exports, dominated by car and truck sales, stood at $748m up to September last year and could be close to $1bn for the whole year, according to US officials in Kuwait. This compares with sales of about $800m in 1989.

By contrast, Japanese exports to Kuwait, mainly cars and electrical goods, were only a fraction of 1989 sales, at $180m by October last year. Sales in 1989 were around $670m. Japan, whose important trading partners in the Gulf are Saudi Arabia and the United Arab Emirates, has taken a much lower profile since the war.

German sales, consisting mainly of cars, machinery and electrical goods, were just over $93m up to October compared with about $400m in 1989.

British sales to Kuwait, dominated by machinery and food, were $180m for the whole of last year, about 80 per cent of 1989 exports. The main exporting countries have arranged with export credit guarantee packages, including $2bn by the US Ex-im bank (confined to public sector projects), $700m by the UK authorities, $1bn by the Japanese and $550m by France.

The post-war increase in sales of food, electrical goods and cars is levelling off

Kuwait's roads, which were mercifully quiet for a brief period after the war, are again crammed with foreign cars.

General Motors, Ford and Chrysler of the US are, predictably, selling more strongly than the big Japanese operators, Nissan and Toyota. US officials say this is also because American companies were quicker to get started on spare parts and financing than their rivals.

In addition to US and Japanese models that still dominate the roads, Land Rovers now occupy a tiny niche – the British manufacturer has sold about 550 since the war ended.

The Al Mulla group, one of Kuwait's big family trading companies, imports a vast range of goods, including vehicles from Chrysler, Mitsubishi and John Deere and computers, office equipment, and white goods from IBM, Zenith, Zanussi, General Electric, Minolta, Groupe Bull and Sharpe.

The group's office equipment section says it has been selling between 40 and 60 machines a month over the past year; sales worth about $4m. But demand is slowing across the board. "Sales peaked by about November, says Mr Aranasalam Narenthiran, Al Mulla's deputy managing director. "The market has not exactly dried up but it is levelling off."

Showrooms and warehouses are bulging. Agents and their supply companies abroad had banked on a longer boom and many traders have overstocked as a result.

"There's nothing we can do except monitor our stocks very carefully to try to make sure we aren't left with big stocks on our hands and a dead market," says the sales manager of one Kuwaiti trading company.

Al-Sayer, Toyota's agent in Kuwait, lost 1,500 new cars and 850 used cars during the occupation. It was five months before Toyota was shipping enough cars to meet demand immediately after the war.

Since then, Toyota has shipped in 9,145 cars, but sales have tailed off and it has sold only 5,800. Annual sales before the war were around 12,000. Toyota says it is now looking to consolidate sales at between 9,000 and 10,000 a year.

While the big family traders have been able to gain credit, restock and sell, conditions for the country's thousands of small and medium-sized businesses, most of them already in debt, have been extremely difficult. Without the backing of big exporting companies, many have been unable to get started again and face collapse in the months ahead.

"The difficulty for smaller traders is that they can't get credit from the banks whereas the larger businesses can," says Mr Hilal Al Mutairi, director-general of the Kuwait Chamber of Commerce and Industry, representing the country's 18,000 businesses. "We are hoping the government goes ahead with a proposed programme to buy up all the debts," says Mr Al Mutairi. The debts would then be rescheduled over 20 years at low or zero interest rates. This would enable businesses to negotiate fresh credit with the banks and restart.

The government is itself burdened with the costs of war and reconstruction although it may have to come up with some sort of commercial write-off. Any such package may come too late for the hundreds of businesses that have missed the shopping spree and are still struggling to reopen.

Sheila Jones

Mark Nicholson examines politics in the emirate

Hive of electioneering

ELECTIONS for a new Kuwaiti National Assembly do not take place for another eight months, but you would scarcely know it. The emirate is already a hive of electioneering.

Opposition groups, seeking to revive the momentum they enjoyed immediately after Kuwait's liberation, hold regular combined meetings attracting more than 1,000 people.

More than 40 members of the National Council, the interim consultative assembly reconvened by the Emir last year, have declared their candidature and some have already enjoyed lusty public exchanges with opposition figures.

Diwaniyas, Kuwait's unique home-based discussion groups, are more numerous and politicised than ever. And the government scarcely appears to twitch without thinking first of the electoral consequences.

In part, the buzz surrounding October's poll manifests political ambitions pent up since the Emir dissolved the last full National Assembly in 1986 – and with it selected paragraphs of the country's 1961 constitution – citing security reasons for suspending a forum which was offering increasingly bitter and troublesome opposition to the government's policies and some of its ministers – none of whom the Assembly had powers to appoint.

The excitement also reflects a broad will, most vocally put by opposition groups, to get to grips with the governance of the new post-war Kuwait. But as to whether, finally, the war has substantially altered the real issues of Kuwaiti politics, or the political alignment of its limited electorate, opinions are mixed, and firm judgments are probably premature.

One certain change since Kuwait's last poll will be the size of the electorate, which is limited to Kuwaiti males over 21 who can trace family lineage back to Kuwait City in the 1920s. Due largely to the youthful profile of Kuwait's population, by October more than 90,000 Kuwaitis will be on the electoral roll.

This is a rise of 30,000 on the number eligible to vote in the June 1990 election for the interim, and purely consultative, National Council – of which half of its 75 members were government appointees.

Women and "second degree Kuwaitis" – Kuwaiti citizens not so tightly defined by reference to their 1920s forbears – will not vote in the 1992 poll, although Sheikh Jaber al Sabah, the Emir, has promised to "study" their eventual enfranchisement and the next assembly is sure to have this issue near the top of its agenda.

Campaigning proper cannot start formally until three weeks before the election date, which remains to be set. From that time, candidates will be allowed to raise tents outside their homes to entertain election gatherings – not the least attractive feature of which are some candidates' efforts to compete in providing the most lavish cuisine.

The social onus laid on Kuwaiti election meetings is characteristic of the emirate's brand of "democracy" which traditionally places heavy stress on the achievement of consensus – very often through the institution of the Diwaniya, itself a fundamentally social gathering. Diwaniyas, hosted by and open to members of the ruling family and ordinary Kuwaitis alike, are a highly efficient grapevine in what is essentially a cosy, if clannish, city state.

"We grind and grind, and eventually reach consensus," says Mr Jasem Qabazard, a member of the National Council, both of its own decision-making process and that of Kuwait overall.

Mr Qabazard and other members of the National Council, which is condemned by the main opposition groups as being unconstitutional, claim this consensual system is the defining point of Kuwaiti politics – of which the written constitution is merely a reflection. "There is an unwritten constitution that balance should always be maintained among the main families here," says Mr Ibrahim Shehabi, another National Council member.

The opposition, particularly the Democratic Forum, a grouping of largely western-educated leftists and liberals, disputes this strongly, claiming Kuwait's political structure should flow from the constitution, and that any political decision made since parts of it were suspended in 1986 is illegitimate. "Any government without constitutional control risks becoming a corrupt government," says Mr Mohammed al Ghadiri, a Democratic Forum spokesman.

For the opposition, both secular and Islamic, the National Assembly is the means by which Kuwaitis can keep the rule of the al-Sabah family accountable. Although the 50 elected members of the assembly cannot pick government ministers, 16 of whom also sit on the assembly, it can constitutionally demand their appearance to justify policies and it has a limited veto on government legislation.

The strength of the opposition's challenge in the October elections is difficult to assess – although it is already clear that it will fight energetically for seats. The Democratic Forum, which declared itself a political party late last year in defiance of an unwritten prohibition on such, says it will field 10-15 candidates and expects to win at least five or more seats.

Sheikh Jaber al Sabah, the Emir: reconvened Council

Of the various Islamic groups, the Sunni fundamentalist Islamic Constitutional Movement, which wants to see Sharia law enacted in Kuwait, says it will field 15, while the Islamic Alliance, another Sunni group, will field a further 10. The main Shia group, the National Islamic Coalition, says only that it will field "many" candidates. Shia Moslems comprise some fifth of Kuwait's population.

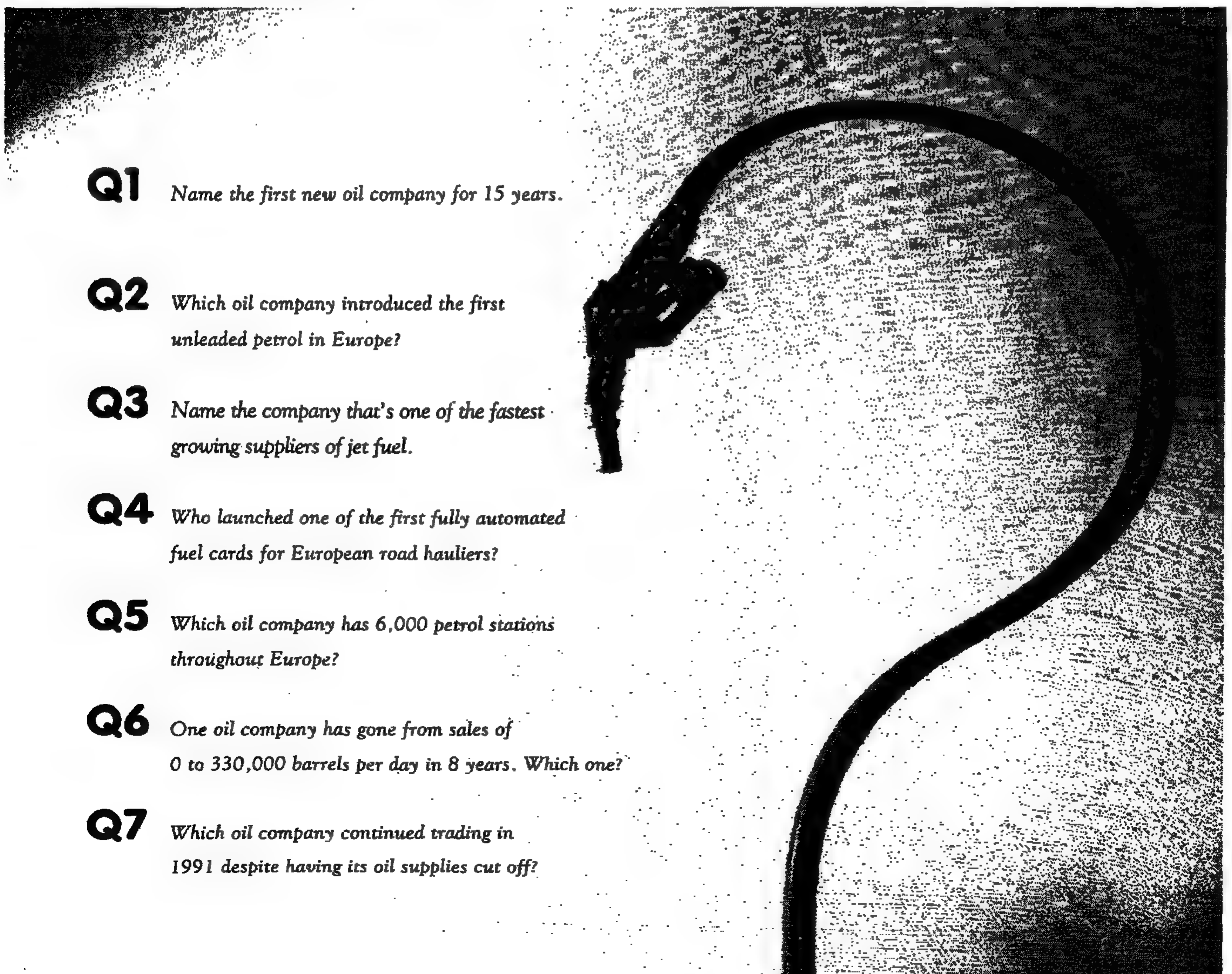
The opposition groups will command considerable domestic news coverage, not least now that the government has formally lifted censorship in local papers, and there will be much western interest during the campaign. But many observers suggest that voters will return essentially the same interest groups which have dominated Kuwait's representative assemblies in the past – a mix of merchants, Islamic groups, leftists, bedouin and western-style liberals – and that the conservatism of Kuwait's voters should not be underestimated. "In practice," says one diplomat, "it will be the same parish pump politics it has been since the first national assembly in the 1960s."

Moreover, despite the prominence of opposition spokesmen immediately after liberation, many observers suggest that the government has gone a long way towards quieting the vehemence of post-liberation demands for democracy by realising its promise of holding elections, by not tampering with constituency boundaries – a trick opposition groups had feared – and, perhaps most important, by offering most Kuwaitis a good deal of pre-election largesse.

The government has not only raised the salaries of civil servants – up to 90 per cent of whom are Kuwaitis – by 25 per cent, but it has also written off all Kuwaitis' pre-war housing and consumer loan debts.

Moreover, some suggest that the preoccupation with achieving consensus in Kuwait offers the country a political self-righting quality. "There are people rocking the boat," says a western diplomat. "But when the deck gets too near the water, people tend to rush over to the other side to balance it."

However, the real test of this self-righting will come immediately before the elections. If opposition groups find themselves able to command large and raucous gatherings at their campaign tents, some diplomats fear the government could lose its nerve and call in the security forces – much as it did during pro-democracy demonstrations in Spring 1990, the last time Kuwait's political season was in full swing.



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■ THE ECONOMY

A financial strait-jacket

EVEN given the crippling effects of the Gulf war, Kuwait is scarcely a place of slender means. The word "austerity" need never cross the lips of policymakers in a country of fewer than 1.5m people sitting on more than 94bn barrels of crude oil.

Nevertheless, the war took an expensive toll. Aside from the direct costs of paying coalition allies some $22bn for waging the war, lost oil revenues, the liquidation of billions of dollars' worth of assiduously cultivated foreign assets and a reconstruction bill which may top $20bn, Kuwait's economy was also left in a distraught and disorganised mess.

The inevitable result will be to leave Kuwait's income heavily denuded over the *next few years* and its expenses correspondingly inflated.

This year, however, is election year and Kuwait's government is determined that voters will not fault it at the polls for its generosity. The government's ability to cushion Kuwaitis, *with more limited* available means, will be the policy test of the next year. The wisdom of its doing so rather than adjusting Kuwaitis to a leaner economy is, however, likely to be a matter of debate for some few years thereafter.

For the present, the *government faces* the task of balancing Kuwait's books. In its provisional budget for 1992, still awaiting formal approval by the National Council, the government estimates revenues will reach KD870m. Just over 80 per cent of earnings will come from oil, output of which is likely to be near pre-war levels of 1.5m barrels a day (b/d) by the year end.

Revenues will be about a third of pre-war income, which also included earnings of KD1bn from the country's overseas investments, held in the Reserve Fund for Future Generations which before the war was valued at $65bn. However, local economists reckon that at least $30bn of this has been liquidated to help cover war costs.

Government expenditure for 1992 is projected at KD6bn, a 67 per cent rise on the last published budget in 1990, much of it accounted for by a 43 per cent rise in expected defence spending to KD2.6bn. The resulting deficit is put at KD5.3bn – although this figure excludes KD2.9bn of "extraordinary" war-related spending, including KD2bn of payments to Desert Storm allies and at least KD500m for consumer debt write-offs after liberation and gratuities to departing Palestinian civil servants.

The scale of the deficit prompted Kuwait to arrange a $5.5bn syndicated loan late last year through J. P. Morgan. Treasury bill and bond issues will also be used to make up the shortfall, together with drawings on available reserves.

However, it is the prospect of future deficits which worry some local economists, who argue that unless the government is far more savage in cutting its expenditure, the country faces a highly expensive spiral of accumulating deficits.

According to the Al-Shall economic consultancy in Kuwait, civil service salary payments alone will consume 49 per cent of likely oil revenues for 1993 – which the consultancy estimates at about KD2.2bn, assuming exports of 1.4m b/d at an average price of $15 a barrel. Adding the cost of the government's proposed buy-out of bank debts, that is to say interest payable on bonds to be issue to the banks, will take this to 65 per cent of projected revenues. "Kuwait faces a real and extended deficit for a very long time to come," says Mr Jassem al Saddoun, Al Shall's managing director.

Given the high level of recurrent government expenditure, quite apart from the *tally of reconstruction costs, Mr al Saddoun* says the government is ill-placed to afford much in the way of pre-election bounties. Nevertheless, in addition to the write-off of consumer loans, the government earlier this month approved a 25 per cent rise in civil service salaries, adding a further KD285m to its wage bill for 1992.

Behind such decisions lies the government's determination to ensure that Kuwait's voters, when they tick ballot papers in October, return a tame and government-friendly National Assembly. "Economic decisions are, such as they are, being taken for political rather than economic reasons," says one diplomat.

Other observers, including senior bankers and economists, privately voice concern that they see no sign that the government is looking beyond the October election to devise any sort of guiding economic policy for the rest of the decade, beyond pumping as much oil as possible and banking on being able to repay whatever short-term debts it may incur. "My *main worry is that nobody is thinking at* all," confides one banker bleakly.

Such critics propose that the government should, for example, open the oil and financial services sectors to overseas investors to encourage efficiency, privatise what it can of its infrastructure and spread what it can of less essential rebuilding costs over a decade rather than over the next three or four years.

"It's a golden opportunity now to cut the fat and boost only areas where Kuwait has a comparative advantage," says one economist. The government is clearly aware of the financial strait-jacket it will have to wear for the next few years, and is cautiously looking at ways in which it can cut costs. The option of raising revenues through income taxes, although some opposition figures bravely suggest such things in private, is, as in most other Gulf states, most unappetising.

Instead, the government is more likely *to affect what cuts it can in the high* level of subsidies paid on public services. Cooper and Lybrand, for example, has been commissioned to conduct a study into privatising parts of the telecommunications industry although no moves on this are expected much before the middle of 1993. The electricity ministry has also hinted that it is looking at ways of reducing the huge subsidies on power: the average cost of a kilowatt of Kuwaiti power is 20 fils, (there are 1,000 fils to the dinar) towards which the consumer pays only about 2 fils.

Despite the effects of the Gulf war, Kuwait is scarcely a place of slender means

In addition, despite the huge rise in overall government expenditure outlined in the 1992 budget, the government has sought to cut spending in most ministries by 20 per cent against the budgeted 1990 figure for each department – although since the 1990 fiscal year was rudely interrupted, this is a fuzzy target.

But critics of the government argue that such measures are no more than prudent book-keeping and do not *substitute for an* overall economic strategy. In particular, some economists argue, present policies portend a further fattening of Kuwait's already flabby public sector with little incentive for private enterprise.

At one level, the government's big pay award to the public sector has already provided a further disincentive to Kuwaitis, 90 per cent of whom already work for the government, from entering the private sector.

More crucially, however, the govern*ment has effectively dealt two reeling* blows to the private sector – and the Kuwaiti merchant families who run it – by deciding first to slash the size of the emirate's post-war population and, second, effectively to abandon all ambitions for Kuwait's non-oil industrial and manufacturing sector.

The loss of 400,000 Palestinians, most of them long-settled families in Kuwait, has already had a shattering effect on the market for some Kuwaiti trade companies and will have a depressing knock-on effect on lending opportunities for Kuwait's banks.

So far, the government has announced no formal policy towards the industrial private sector but merchants and bankers are taking it as read that the government has given up on what before the war had been heavily-supported attempts to develop local industry. Although this in its way also cuts government spending – and, some would argue, wasted spending, given the indifferent performance of the small manufacturing sector before the Iraqi invasion – it nevertheless closes off yet another part of the fast-diminishing private sector.

This might not matter were it not for the fact that more than half of Kuwait's population is under the age of 14 – meaning that the economy will have to expand somehow to offer these young Kuwaitis jobs. In Mr Saddoun's view, the result will be not just underemployment, already rife in Kuwait, but real unemployment.

In the end, however, the government may simply decide that rather than sub*sidise the private sector with oil revenues,* creating what one local economist calls "fake industry", it will simply swell further the ranks of the public sector. In which case, the only calculation about the Kuwait economy which matters over the next few years is that for likely world oil demand.

Starkly put, of course, this is perhaps the only economic calculation in Kuwait which ever matters.

Mark Nicholson

■ BANKING

Living in a short-term world

WITHIN a month, Kuwait's banks hope to be reborn. By then, the government expects to have finalised a bold scheme to clear billions of dinars worth of bad debts from their books by purchasing them itself in return for an extraordinary sale of bonds.

The scheme – which is awaiting approval by the National Council, Kuwait's interim political assembly, as this survey goes to print – would be one of the biggest single write-offs of bank debt in history. It would also put Kuwait's banks soundly on their own feet, with wholly clean balance sheets, for the first time in a decade.

Since the informal Souq al Manakh stock market soared, only to crash, on a spree of speculative share-buying based on post-dated cheques, residual debts from the 1982 crisis have rendered all but one of Kuwait's banks technically insolvent, propped up only by considerable central bank support. Only the National Bank of Kuwait, Kuwait's biggest bank, has in the past few years declared soundly-based trading profits.

The new plan would thus be the final chapter in the long and tangled tale of the Souq al Manakh. It would also clear the banks of all their pre-war debts, on the grounds that with many borrowers ill-equipped to repay them due to post-war hardship, these debts too might turn bad.

The plan has a neat, once-and-for-all ring to it. Although the Kuwait government already had in place the cumbersomely-titled Difficult Credit Facilities Resettlement Programme to address the Souq al Manakh bad debts, this had dragged on with mixed success throughout the 1980s. Now the government has sought to take the extraordinary circumstances offered by the war finally to grasp and uproot this troublesome nettle. In February, the entire banking system was effectively on hold pending the scheme's final approval.

But for a variety of reasons, Kuwaiti banks are awaiting their rebirth with trepidation. For one thing, although they universally applaud such a sweeping solution to their long-standing debt problems, they worry that the plan may falter badly on its details. For another, few bankers are convinced that post-war Kuwait will offer them a particularly prosperous second childhood, for the first few years at least.

Although the details of the buy-out plan are still being debated by the National Council, its outline is clear. The government is proposing to buy a total of KD5.5bn of debt, 81 per cent of it owed to Kuwait's six main commercial banks and the remainder to several finance houses, through a one-off sale of government bonds. These bonds will pay interest at a rate to be agreed, but which is to reflect the banks' average cost of funds – expected to be 5-7 per cent, roughly the cost of banks' deposits.

The government will then formally take over the bad debts, KD1.9bn of which reflects the legacy of Souq al Manakh and KD3.6bn pre-war bank lending – embracing 6,268 debtors in all.

But while the banks will have the debts off their books, they will still be expected to administer the rescheduling of these debts. Individual debtors and companies will have 20 years to repay and a three-year grace-period. At present, it seems likely that debtors will be expected to pay rates of interest relative to their ability to pay. These rates will be set after an evaluation of their assets or cashflow.

Many bankers would prefer a blanket rescheduling package

But this is where bankers start feeling queasy. Although it makes sense that the banks' credit departments, which by now have a 10-year-old relationship with some of the Souq al Manakh debtors, should administer the debts, this solution also means that the banks will have to maintain the costly and labour-intensive debt management departments dedicated to these bad debts.

Moreover, since the debts would formally be off their books, the banks have less incentive to chase up the debts as vigorously as before. "It's like asking the banks to collect taxes on the government's behalf," says one banker. "Where's the incentive in that? It only hurts our relationship with our customers."

In addition, many bankers argue that the new plan shares a flaw in the original settlement programme by seeking to tailor interest rates on the rescheduled debts to the debtor's revealed ability to pay. This, they say, is an incentive for debtors to hide the full extent of their assets and, in the case of many of the bigger debtors, to keep their wealth out of the country altogether.

For these reasons, many bankers and economists would prefer a blanket rescheduling package whereby all repayed debts remained interest free. However, there is a widespread conviction among many Kuwaitis that the biggest part of the outstanding Souq al Manakh debt lies in a small number of rich and influential hands and that any interest-free rescheduling would let such debtors off.

With the government intent on courting favour before the October elections, it is likely to approve, despite the bankers, a plan which would expect interest payments from the biggest debtors.

In the end, however, any plan may make little actual difference to the amount of money retrieved. Debtors under the old debt settlement scheme had little difficulty in creatively accounting their way out of paying interest on their debts. Moreover, debtors who slithered clear of the old *scheme apparently fear little* from the new one. "The general feeling in the market is that they won't have to pay anything anyway at the end of the day," says one leading Kuwait accountant.

In the end, the scale of debt recovery will be the worry of the government, the new creditor under the scheme, rather than the banks. But the debt *plan will have further* knock-on effects on their ability to resume business as usual. For one thing, banks will find it difficult to assess the creditworthiness of any of *their clients who are also* engaged in the separate process of having their old debts assessed under the rescheduling scheme.

Since the rescheduling scheme theoretically has priority on any debtor's assets, banks will not be able to judge their ability to repay fresh loans until a scheme for repayment of their old ones is assessed and under way. Since the rescheduling scheme embraces more than 6,000 debtors, this means many of the banks' best clients are likely to be included.

"For 1992, most banks are not going to be able to lend much, if anything, to the private sector," concludes one bank analyst.

The effect on most banks' return on equity is therefore likely to be sharp and depressing. Not only will fresh lending be constrained, but the loans which are to be replaced by government bonds also represent in most cases 40-50 per *cent of banks' assets. These* will, after the buy-out, give a return only of the banks' average cost of funds.

But if this will have the effect of crimping banks' earnings, so too, in the view of most bankers, will the likely economic prospects in Kuwait itself. Two aspects of post-war Kuwait are particular concerns: the diminution of Kuwait's population, and its demographic mix.

Bankers point out that the exodus of 400,000 Palestinians essentially represents the loss of upwards of 100,000 families who kept and maintained homes in Kuwait.

Although a smaller number of Egyptians and other expatriates have entered Kuwait since liberation to fill some of the gaps left by this exodus, for the most part these are bachelors with much more modest spending patterns and a greater propensity to remit earnings out of the country. Bankers in Kuwait readily admit that even with a population of 2.2m people before the Iraqi invasion, the emirate was overbanked. But with as many as 1m fewer people and much tighter competition for what good business exists, the banking sector is certain to contract.

Indeed, Kuwait's banks have already slimmed considerably since the war. Most have opened only half their branches and are operating with about 40 per cent of their pre-invasion staff level. Few analysts expect banks to expand much, if at all, beyond these levels for the next year at least. "Cost cutting is the Holy Grail just now," says one Gulf bank official.

The next, and some argue inevitable step, is for there to be fewer banks. This is the professed ambition of the central bank, which has repeatedly insisted since liberation that the banks should consider mergers. But talk of bank mergers predates even bankers' moans about bad Souq al Manakh debts and so far such talk is little more than speculative gossip.

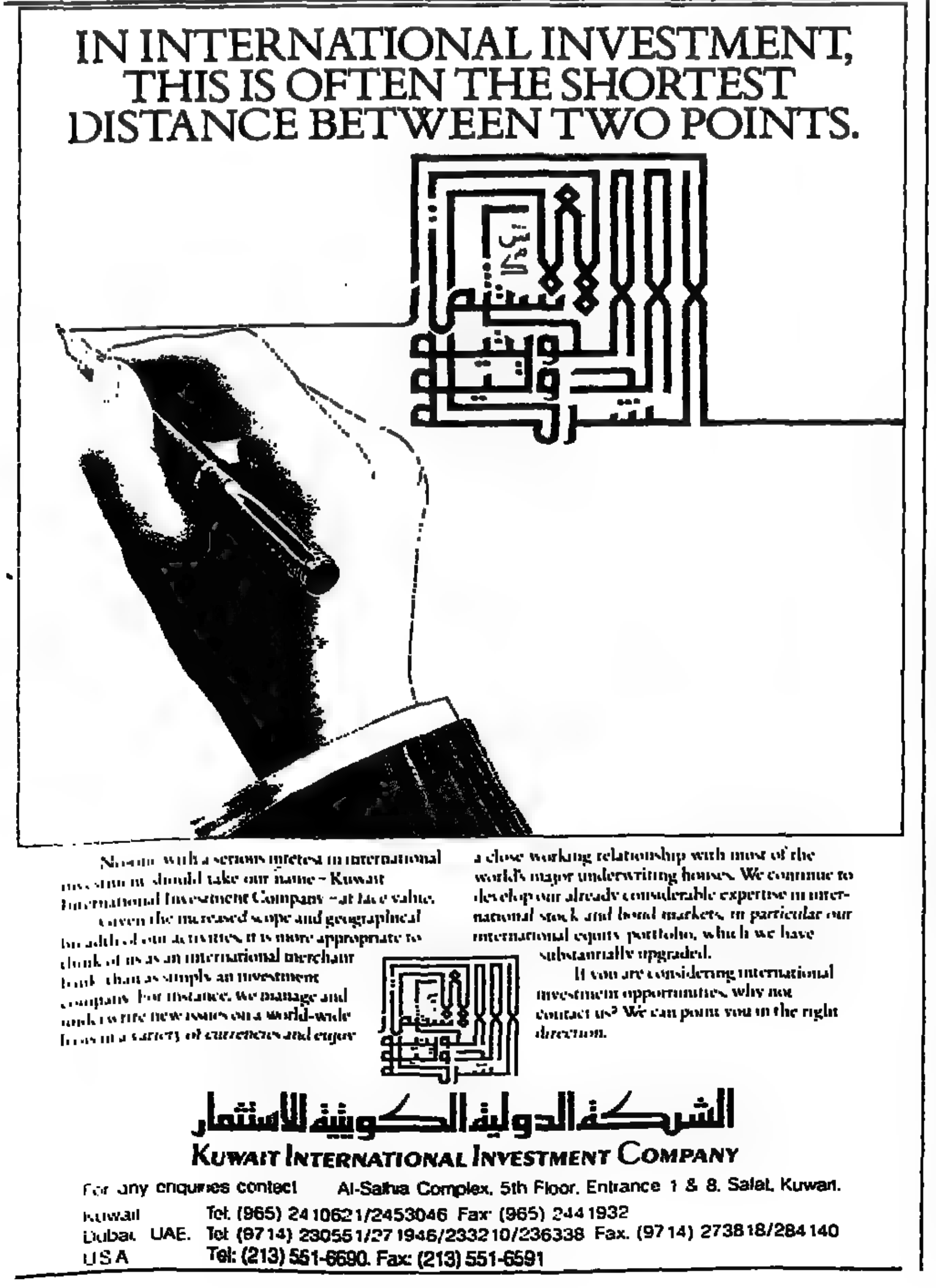
In the view of most analysts, the issue can be sensibly broached only once the banks are able to publish balance sheets. No bank has done this since 1989 and none can until implementation of the debt settlement programme. "There's not a hell of a lot anyone can say about Kuwait's banks until we have some books to look at," says one analyst of the Kuwait market.

Caution for foreign banks seeking to establish relationships

For now, groups such as Capital Intelligence, the leading Gulf credit rating agency, are recommending that all Kuwait banks be treated more or less as sovereign risk until figures are revealed. They are also cautioning foreign banks seeking to establish relationships with Kuwaiti banks to hold off until the picture becomes clearer.

Until then, Kuwait's bankers remain condemned to living in the short-term world they have occupied since they opened their first branches immediately after liberation: servicing depositors, lending limited and short-term funds to selected traders, dabbling in foreign exchange markets, processing letters of credit and, above all, drumming their fingers on the desk waiting impatiently for what is billed as final approval of the final plan to clear their bad debts.

Mark Nicholson



Sheila Jones takes a look at repairs to the electricity and water networks

Many contracts still to be awarded

ONLY camels are comfortable without air conditioning in Kuwait. Temperatures are manageable at this time of year but in the summer, the country bakes. The scorching heat of August will be the greatest test for the emirate's patched-up power and water network.

Work so far has barely scratched the surface. Millions of dollars worth of contracts are still to be awarded to make good the severe damage inflicted during the seven-month Iraqi occupation. Repairs to the country's power stations have restored about a third of their pre-war capacity of 7,200MW. That is enough to meet the current load, but it is still short of the likely surge in demand over the next six months.

"We have set a target to produce 5,000MW by August 24," says Mr Ahmed al-Adsany, minister of electricity and water. "By then we estimate the peak load will reach 3,300MW."

Work on the power stations was especially urgent because they also provided virtually all the country's domestic and industrial fresh water at combined desalination plants.

The government says that 98 per cent of the country has been linked to power and water supplies, although some farming areas in the north are still without plumbed water. It is likely to be two to three years before the network is fully up and running.

All six of Kuwait's power stations were damaged during the war. Early estimates put the full cost of the repair work at about $1bn. Now the government says it will have to spend $5bn on the network over the next five years, including nearly $2bn for a new plant at Subiya in north-east Kuwait.

A Kuwait City power station set ablaze by Iraqi forces

Mitsubishi of Japan won the Subiya contract before the war but the project was suspended after the invasion. The company will supply the boilers and turbines, worth about $1bn. It is now negotiating with the government which is trying to hold the company to prices agreed under the 1989 contract. A group of Turkish companies is building the plant's infrastructure. Work is due to start in 1994.

Much of the post-war work has been to carry out urgent, but temporary, repairs, and only a handful of the biggest contracts has been awarded. Scores of western companies are battling for the spoils.

Bristol Babcock, the UK engineering company, has just completed an $8m contract to repair the control room at Doha West power station, built in 1963. The new control room was scheduled to be switched on today for the first time since the war, operating initially at a tiny proportion of its capacity.

The UK company is working on a similar $10.8m contract to repair the control room and other items as the adjoining plant at Doha East, which was built in 1977. Boilers were also badly damaged and most of the fuel tanks were destroyed. Deutsche Babcock, which supplied the original boilers at the two plants, won the order for new boilers. The government has reopened bidding for a $20-$25m order for the new fuel tanks after rejecting initial bids last year. FC Babcock, the group's French subsidiary, appears to be a likely contender.

One of the biggest single contracts being negotiated is for the replacement of desalination units at Shuwaikh. Estimates for the work range from $20m to $40m. The government says that damage to the power plant, built in 1954, was so severe that it is not worth repairing. But the desalination plant was only a few years old. The pre-war capacity of each of Shuwaikh's three desalination units was 6m gallons of water a day, about a sixth of the country's daily consumption.

Westinghouse of the US is chasing the Shuwaikh contract along with Hitachi and Mitsubishi of Japan, Hyundai of South Korea, Alsthom of France and a handful of smaller western companies. Westinghouse says it will enter a joint venture with a civil engineering company, possibly Blount of the US, if it wins the contract.

Temporary repairs have been carried out at two of the other power stations, but the Shuaiba North plant is still out of action. Shuaiba South and the al-Zour plant, Kuwait's newest power station, built in 1988, suffered little damage. The two plants are supplying all Kuwait's current capacity. Transmission cables to al-Zour have been patched up, along with about 10,000km of cable throughout the country.

Blount carried out temporary repairs to the cable network jointly with subcontractors, local companies and government workers. Some of the subcontracted work has gone to Balfour Beatty, on overhead repairs, and BICC on ground cables.

The Doha West control room before Bristol Babcock repairs

The repairs have enabled the country to tick over, but the heavy investment needed to bring the system up to full power has barely started.

The cable network was so extensively damaged that it will cost about $200m to put right.

Blount has just started work on a $15m contract to replace high voltage overhead cables.

A string of European, Japanese and US companies are bidding for the rest of the cable work and for the outstanding contracts to repair the country's 4,000 substations, about a third of which will have to be fully replaced.

Several hundred substations have been repaired and equipment replaced by Westinghouse in partnership with Blount. Trans-electro, of Hungary, which built many of the original substations, has also carried out much of the temporary repair work. The full tally of work is likely to reach $200m.

Power supplies were more severely disrupted than the flow of water. Early repairs to the distribution system quickly secured enough water to satisfy demand from the returning population.

Reservoirs, which suffered little damage, are back to pre-war storage levels of about 2bn gallons.

Current demand of 90m gallons a day will rise to about 130m by the summer. The two Doha plants and the al-Zour plant are now capable of producing 185m gallons a day between them. Full capacity will be reached only when the power stations are restored.

The destruction has at least given the government the impetus to upgrade the system. Western engineers say the network needed repair anyway because of poor maintenance over a long period.

The size of the final bill is forcing the government to look at ways of reducing demand and cutting costs. Mr al-Adsany says the government is considering a phased reduction of the heavy subsidies it pays on electricity and water bills. It may also introduce higher peak-level charges.

The timing of such measures might be difficult. The government has promised public sector pay rises of 25 per cent, but as Mr al-Adsany says: "What we give with one hand, we cannot take with the other."

■ DEFENCE

'Backstop role' for the west

KUWAIT signed a military co-operation agreement with Britain this month, similar to a 10-year pact agreed earlier with the US. A deal with France, the third active western member of the Desert Storm coalition will follow soon.

None of these agreements – as each government is keen to emphasise – includes any wording committing the three allies to the automatic defence of Kuwait in the event of further aggression against the emirate. But that is not entirely the way Kuwait prefers to interpret these pacts. "Let's just say their perception is a bit stronger than ours," says an official from one signatory country.

The two deals so far signed, and the French one to follow, are essentially undertakings to conduct joint manoeuvres with the Kuwaitis, offer increased training to Kuwaiti forces and co-ordinate arms sales packages. The US pact also includes provisions to pre-position tanks, armoured personnel carriers and artillery in Kuwait.

No one is in any doubt that Kuwait, which lacks either strategic depth or sufficient manpower for a substantial army, would have finally to rely on western assistance to repel another outright attack. But the western powers are determined that Kuwait should not read this an excuse not to, first, steel its own domestic forces and second, to weld itself more effectively than before the war into a collective Gulf security arrangement.

Kuwait has, in fact, made a priority of rebuilding its armed forces, which were left depleted, disorganised and demoralised by Iraq's swift invasion. A full reorganisation of the forces will be made following completion of a detailed US study to be presented to the Defence Ministry this month.

While details of the reorganisation, and therefore of the the army's procurement needs, await the results of this study, it is already plain what will be required of Kuwait's rebuilt force: that it should be able to resist an aggressor for long enough to allow foreign reinforcements to arrive.

In practice, this would amount to holding out against Iraqi forces – which remain the likeliest longer-term threat to Kuwait – for two or three days. "If the army could hold out for seven days, it would be incredible," comments one defence analyst.

But even this circumscribed ambition will require substantial work to achieve. To begin with, Kuwait must somehow find the manpower to fill an army which before the war boasted 20,000 men under arms, but which has slumped since to about half this figure following the government's decision to disbar on grounds of questionable loyalty some 10,000 Bidoun, or stateless Arabs, who had made up the bedrock of the ground troops.

The Defence Ministry optimistically aims to build a total force of 30,000, partly by insisting more vigorously than before the war that Kuwaitis actually perform their formally obligatory 18 months' national service – an obligation most Kuwaiti males have hitherto managed to circumvent. Although the government wants an army purely of Kuwaiti citizens – and at least 1,000 Kuwaitis have been recruited since liberation – a small number of Bidoun are, out of necessity, being readmitted into the force.

As part of the government's professed desire to see its forces armed with the latest and highest technology, Kuwait's ground forces will almost certainly purchase either Abrahams M1A2 tanks from the US or the British Challenger II, but a decision on which or how many is not expected until later this year. Defence analysts say estimates that Kuwait may purchase 200 tanks are, for now, broad guesses.

Kuwait's airforce has already received three of the 40 F-18 jets ordered from the US as part of a $1.6bn order originally made in 1988 to replace the airforce's dated A4 Skyhawks and Mirage F1 aircraft.

Refurbished bases to accommodate these aircraft will be ready by the end of this year. Earlier this year, the government awarded US companies contracts to repair the emirate's two devastated airbases under an overall $81m foreign military sales package. Morrison Knudsen Corporation is to rebuild Ahmed al Jaber base, north of Kuwait City, in a $24m deal, while George A Fuller and American International Contractors secured a $18.5m contract to restore the Al-Salem base, south of the city.

However, while revival of Kuwait's own forces is in train, much less progress has been made towards securing what western governments insist Kuwait must see as its second line of defence – its Gulf Co-operation Council (GCC) allies.

A residual "Peninsular Shield" force of two brigades, one from Saudi Arabia and one from a mix of GCC countries, has remained in central and southern Kuwait since the war. However, this small force falls far short of representing the sort of Gulf security arrangement which the US and Britain formally insist their own defence pacts should only "underpin".

Since the effective demise of the Damascus Declaration, which aimed after the war to bond the six GCC states, Syria and Egypt into a joint Arab force, GCC states have shuttled chiefs of staff around the region in an attempt to construct some sort of strategic defence structure for the region.

So far, however, this has yielded little more fruit than a string of studies.

Oman's suggestion of creating a pan-Gulf force of 100,000 remains technically on the books but suffers from disagreements over command and control structures – and the potentially fatal question of where the thinly-populated Gulf states will find that many soldiers.

While Iraq remains strategically crippled and two US aircraft carriers remain in or around the Gulf just in case, Kuwait and its GCC fellows have time to mull over details of a joint arrangement.

Continuous US and British military manoeuvres in the Gulf, as part of the joint military agreements, will also underline what western defence officials prefer to call their "backstop role".

However, the US and Britain, in particular, are pressing Kuwait and the other Gulf states hard to make a go of collective defence. Both governments have also made a point of highlighting to Kuwait that whatever the immediate threat from Iraq, no country in the Gulf should lose sight of the fact that Iran has quietly been busy re-arming itself for the past year.

Iran's rearming may offer no immediate threat in itself, but as one military expert puts it: "In a year or two, no-one will be able to make a single decision in the Gulf without considering the Iranian reaction."

Given Iran's distaste for any western military presence in the region, Britain and the US are seeking to impress on Kuwait that there may be a longer-term political cost to being too overtly dependent on its western 'protectors' – not least to those protectors themselves.

Mark Nicholson

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Sheila Jones joins ordnance clearance experts in the desert

A lucrative operation

"TREAD in my footsteps. There should be no mines here but I'd rather not take the risk."

Paddy Blagden leaves a trail of large footprints in the sand. This is the southern triangle of Kuwait, about 1,500 sq km of desert stretching from the outskirts of Kuwait City down to the Saudi border. It is alive with mines, unexploded bombs and live ammunition.

Mr Blagden is in charge of the British team making safe the second-largest of Kuwait's six sectors, divided up for clearance after the war.

Iraqi soldiers laid millions of mines across the desert. Crates of live ammunition are piled up at Iraqi dug-outs alongside anti-aircraft guns. Unexploded Rockeye bomblets are strewn about. On a southern desert road about 50km from the Saudi border, a large, silvery bomb is up-ended in the sand.

So far, only a few priority areas have been cleared: Kuwait City, the northern beaches and, most importantly, the oilfields.

Kuwait City was littered with grenades and small ammunition. It was cleared by the allied forces soon after the occupation ended but not before hundreds of Kuwaitis, including many children, were killed and maimed by the munitions left behind. It could be another two years before the whole country is cleared.

It is a lucrative operation for the handful of ordnance companies and the many subcontractors that have won the clear-up contracts. And it is the first time such work has been handed over to private companies.

Royal Ordnance, the British Aerospace subsidiary, was awarded the contract to clear the British sector by the Kuwaiti government last year. The contract, which also includes part of Kuwait City, the beaches, oilfields and Failaka island off the north-east coast, is thought to be worth about $100m.

The biggest contract – worth about $200m

The British, French and US authorities are responsible for the three most heavily-mined sectors

– was awarded a few months ago to Conventional Munitions Systems of the US against competition from three other US companies, UXB, States International and Olin Ordnance. CMS is still mobilising its team for the US sector and it has yet to start the clearance.

The British, French and US authorities are responsible for the three most heavily-mined sectors in central, southern and western Kuwait. The government has contracted the Bangladeshi, Pakistani and Egyptian authorities to make safe the three sectors in the north and north-west. Bangladeshi soldiers are also conducting quality assurance sweeps of areas that have been cleared.

Royal Ordnance was the first to win a clearance contract and by February this year it was the only company to have started work.

"We were required to act quickly because of the oilfields," says Mr Blagden. "The big priority in Kuwait was to get revenue coming in again. Before any firefighters were able to get to any burning well head, the access to that well head had to be cleared. It was an appallingly difficult job."

The oil wells were ablaze, belching out dense black smoke, fumes and hot oil droplets. The surrounding desert was a mass of oil lakes and congealed sand. "It was what I imagine hell to be like."

The company started work on the oilfields in May and access to all the wells was cleared in time for the last oil fire to be put out in November. The contract was the subject of hefty overrun penalties. Royal Ordnance has also cleared a 27-kilometre stretch of northern beaches down to the port of Shuaibah. These were fortified with trenches and barbed wire entanglements strewn with anti-personnel mines.

Royal Ordnance has subcontracted the land reinstatement work, such as refilling cleared trenches, to Marr-Bell of the US.

Work started this month on the southern triangle which the company is committed to finishing by the end of June. Here, the Iraqis laid 84 linear kilometres of mines which stretch out in neat rows as far as the eye can see. In all, there are about 1m mines to be cleared, a mix of anti-tank mines and the small, spiked anti-personnel mines known as Bouncing Bettys (the Valmara V-69. It jumps two feet in the air on impact, then explodes).

Failaka Island was cleared by soldiers from the Royal Engineers under Royal Ordnance contract last year.

Now deserted and without power and water, the island was used as an Iraqi military base. It used to be a smart holiday spot for Kuwaiti day trippers. About 550 families lived there.

Most of Failaka's buildings and installations are badly damaged and looted. Some are scattered with Iraqi equipment: maps, a radio transmitter and remnants of military uniforms.

In one house, a recently installed bathroom suite is intact. Toys, books, clothing, crockery and family photographs are in heaps on the floor.

The only people on the island now are the ordnance and reconstruction workers.

Virtually all the men working on Kuwait's clearance are ex-military, employed on short-term contracts. Many are former combat engineers and explosives experts.

In the past six months, Royal Ordnance has laid off about 100 British workers and recruited Gurkha engineers at about half the wages.

The company says the lay-offs were partly for commercial reasons. It adds that all its current workers are qualified for the work they are doing.

It now employs 290 workers, against 440 six months ago.

Mr Steve Macpherson, a Glaswegian in his 30s, is on contract for Passive Barriers, a UK explosive ordnance disposal company which has been operating in Kuwait as a subcontractor since April last year.

"I came here mainly for the money," he says. "If I stay a full year I should have about £30,000 to take home. It'll pay the mortgage."

Royal Ordnance experts Chris Snape (left) and Andy Jones dispose of Iraqi mines abandoned on a beach in Kuwait City

Mr Macpherson, a former mines instructor with the British army, has just finished clearing Failaka harbour, dredging the water for stray bomblets and hauling out battered pleasure boats.

"I'd rather be sifting this muck than unemployed at home," he says.

Passive Barriers has picked up 20 or so small contracts, mainly clearing areas to enable repairs and reconstruction.

It has cleared cable and pipeline areas, water pumping stations, ports, buildings and private patches of land.

The company had hoped to get one of the large contracts to clear a whole sector.

"We haven't done as well as I had hoped," says Mr Brian Ashwell, Passive Barrier's Kuwait director. "The contracts have been worth thousands rather than millions although it has been worth our while being here."

Even with the clearance operation barely underway, a complicated network of contractors and subcontractors has sprung up.

Some companies complain of a lack of central control and regulation.

"There should have been a centralised operation and there wasn't," says Mr Blagden. "I think the Kuwaiti MoD decided it would be expensive and was not really necessary.

"There is relatively little control over the way in which ammunition, in particular, is removed from Iraqi positions and stored. It's extremely dangerous."

There have been several explosions at central munitions dumps (but no deaths or serious injuries) and there is likely to be growing pressure from clearance companies for central regulation as more operators start work in the months ahead.

■ COMPENSATION

Lots of uncertainties

ADEL OMAR ASEM has got the longest job title in Kuwait. He is probably one of the country's busiest people.

His desk is awash with paper. His telephone is ringing. He signs another document and takes a sip of tea. "I will be more than happy when this is all over," he says.

Mr Asem is director-general of the Public Authority for the Assessment of Compensation for Damages Resulting from Iraqi Aggression. It is called PAC for short.

The agency was set up in November last year to assemble Kuwait's claim against Iraq for damage and loss during the war. It is an enormous and bureaucratic operation that will take about two years to complete.

On February 15, Mr Asem's department sent out 600,000 claim forms. That is roughly one for every Kuwaiti citizen. Foreign businesses and expatriates seeking damages must file claims through their embassies or national authorities.

This first batch of forms in Kuwait represents Phase 1 of the operation. It covers individual and personal loss and injury. Phase 2, which is scheduled to start in April or May, covers corporate and government claims.

It is likely to be the biggest ever claim against a single country.

"Kuwait's oil losses alone could amount to $40bn-$45bn," says Mr Asem. "Oil is the biggest component, but there has been speculation that the total could be as high as $100bn to $200bn."

More conservative estimates put the likely total at around $40bn, about half of which is accounted for by oil losses. This includes production lost during and after the Iraqi occupation and the cost of repairs to oil wells and installations.

Aside from war damage, there was widespread and systematic looting of private homes and businesses

Aside from war damage, there was widespread and systematic looting of private homes and businesses. About 50,000 cars were stolen, the gold souk (market) in Kuwait City was stripped and an estimated $360m worth of gold bars and foreign currency was taken from Kuwait's central bank

Computers went from offices, books from schools, incubators from hospitals and spare parts from cars and factories.

The reparations process is governed by the United Nations, which will scrutinise the final claims package. In all, the UN is expecting to receive 2m individual Kuwaiti claims.

Each of Kuwait's government ministries is likely to file a claim. "Most of the telecoms stations, switches, satellite equipment and so on were totally destroyed," says Mr Asem. "There isn't a single school that hasn't been destroyed or looted. Power substations and water facilities, museums, hospitals and libraries have all been damaged in some way. Business claims include damage and looting as well as lost earnings and opportunities. Small businesses suffered greatly."

Western loss adjustors, financial experts and lawyers are advising PAC on the claim before it is submitted to the UN, which will make the final demand against Iraq.

Last year, the Kuwaiti government awarded the lucrative claims management contract to the US arm of accountancy firm KPMG Peat Marwick. The firm won the contract – worth tens of millions of dollars – against competition from one of its own affiliates, KPMG Peat Marwick of the UK, which had put together a consortium bidding for the whole package.

"It caused a bit of a stir on both sides of the Atlantic," according to a western observer in Kuwait City. "It is such a big firm that apparently the right hand didn't know what the left was doing."

Legal advisers on the claim are Cleary Gottlieb Steen and Hamilton of the US, and Clifford Chance of London, which was originally part of the UK consortium.

KPMG's staff of 90 in Kuwait City share offices with PAC, which will employ about 370 people at the height of the operation.

Firms will be asked to submit new tenders for the second phase covering corporate and government damages.

The claim is split, under UN guidelines, into six categories: individual expenses and losses incurred through departure from Kuwait after the invasion; death and injury; personal and private loss of less than $100,000; personal and private loss of more than $100,000; corporate claims; and government claims. The Kuwaiti authorities, and any other national governments seeking damages, have 18 months from January this year to submit their claims, although the UN is likely to be flexible about the deadline because of the size of the task.

The UN has stipulated that claims made by private individuals should be processed first because of the scale of personal hardship. In particular, the Security Council has said that foreign nationals, most of whom lost everything overnight as they fled Kuwait, should be the first to get money from the UN's proposed compensation fund.

Even if Iraq pays into the war damages fund it is likely to be several decades before all claims are paid

Putting together the Kuwaiti claim will cost the government about $50m-$60m, money it hopes to recoup from the UN fund.

Soon after the war, the Security Council told Baghdhad it would supervise Iraqi oil sales to ensure that 30 per cent of the revenues went directly into the war damages fund. Iraq is refusing to accept the UN plan. Even if Iraq pays into the fund it is likely to be several decades before all claims are paid.

"We have received assurances from the UN Security Council on the principle that Iraq, as the aggressor, should be made to pay," says Mr Asem. "That does not mean we can all sleep comfortably. There are still lots of uncertainties about whether Iraq will pay into the fund."

But he is sanguine about the outcome. "This is not simply a matter of compensation. It is documentation for future generations. It is hard to make any kind of judgment about whether or not we get all the compensation we want, but this operation is something for the future."

Sheila Jones

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Reserves	21,012	10,358
Subordinated Loans	60,385	58,954
	181,397	169,312
BALANCE SHEET TOTAL	1,723,341	1,959,604

▲ NET PROFIT, AFTER TAX AND EXTRAORDINARY CREDIT OF £10.7M

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BAKER STREET BRANCH
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Mark Nicholson reports on the oil industry

Heroics speed recovery

DURING the days of soot-laden skies last summer it appeared inconceivable that Kuwait should not only have extinguished all 727 of its burning oil wells, but be on target to restore production to pre-war levels by the end of 1992.

However, as the emirate's rivals-cum-fellows in Opec know only too well, Kuwait is firmly on course to pumping more than 1.5m barrels a day (b/d) of oil – its last Opec quota – by the year's end, thanks largely to the engineering heroics of the international coalition of fire-fighting teams which doused the last blazing well in early November.

The subsequent restoration of output, which began in June last year, is accelerating well ahead of a targeted rate of 50,000 b/d a month. Output next month, says Mr Homoud al Rqobah, the oil minister, will be 710,000b/d, including the emirate's 150,000 b/d share of output from the joint Kuwaiti-Saudi Arabian neutral zone, and will hit 930,000 b/d by June.

To some extent, this speedy restoration is possible because, despite the graphic horror of the blazing wells, oil engineers have discovered that a good number of Kuwait's total of 1,080 wells are more or less serviceable. Mr al Rqobah has said that 85 per cent of the Iraqi-detonated wellheads can be readily repaired, while more than 100 wells survived the Iraqis completely intact. Present output is being achieved from just over 120 wells. Repairs on up to 60 of the least-damaged wells in the southern Burgan field, Kuwait's biggest, are taking as little as two-10 days each.

Oil minister Homoud al Rqobah: We need time

Bechtel, the private US engineering group, is co-ordinating the recovery in the southern fields as part of its open-ended contract with the Kuwait Oil Company (KOC), while the Kuwait British Group, a consortium of AMEC, Wimpey and Taylor Woodrow from the UK, are repairing the pipelines and gathering stations in the main northern fields.

Some re-drilling has already begun and, again, the Oil Ministry is optimistic that this will present few problems, particularly given the friendly geology of the main Burgan and Wafra fields where oil lies close to the surface beneath uniformly soft rock. Some 28 wells have already been re-drilled in the southern fields, each taking little more than 12 to 15 days each. Such drilling as will be necessary in the north, where none has yet begun, is likely to take one or two months per well, given the region's tougher and more complex geology.

KOC has so far commissioned Santa Fe, the Kuwait-owned engineering group, to co-ordinate the drilling programme, with a target of 100 new wells sunk by the end of June and perhaps a further 200 over the next two years.

The government aims to restore output capacity to at least 2m b/d by late 1993, compared with sustainable capacity of 2.5m b/d before the war, and is hinting that it may consider increasing this capacity eventually towards at least 3m b/d. However, its present thinking is to hold production at a ceiling of about 1.5m b/d-1.7m b/d, once it is attained, for six months. This would enable studies into possible damage to the reservoirs caused by the well fires. "We're like a man just recovering from a disease," says Mr Rqobah. "We need time to recover."

To date only superficial studies into reservoir damage have been conducted, although oil engineers report that oil pressure in wells already functioning in the southern fields is unchanged from pre-war levels.

However, some analysts, including the local Al-Shall economic agency, have suggested that the race to restore output is drawing damaging amounts of water into the oil reservoirs – a charge disputed by the Oil Ministry. "Our studies show that there is no problem with the reservoirs up to 1.5m b/d or 1.7m b/d; after that we will have to wait and see," says Mr Rqobah.

A Canadian firefighter uses a bulldozer to help douse one of the last well fires extinguished

Restoring Kuwait's downstream operations, however, appears to be proceeding with much less urgency and some western diplomats suggest that the necessary steps to mend the country's refining capacity and revive its petrochemical ambitions may be hampered by bureaucratic cramp.

Short-listed contractors for the management contract to oversee full repairs to the country's three refineries – favourites among which are Foster Wheeler, Fluor Daniel and Brown & Root of the US – have been waiting since early last Autumn for a final decision, which government officials say is due any week now. The government is nevertheless expecting to restore 650,000 b/d of refining capacity, from a pre-war ceiling of 730,000 b/d, by early next year.

Engineering heroics: Texan firefighter Red Adair, 76 (centre)

Early repairs made under Bechtel's auspices have revived 170,000 b/d of capacity at Mina Ahmadi and 100,000 b/d at Mina Abdulla – enough to meet Kuwait's domestic power and petrol needs. Shuaiba, which was severely damaged by the Iraqis, remains moribund for now.

The government has also, through the state-owned Petroleum Industries Corporation, suggested it wants to proceed with a pre-war $2.5bn project to build a petrochemicals export plant at Shuaiba, with a 750,000 tonnes-a-year ethane cracker. No formal tender for the project, which may be slightly modified from original proposals, is expected for several months, however.

The overall cost of Kuwait's oil reconstruction programme, which aside from its ambitions in defence procurement make up the biggest slice of its total reconstruction bill, is still the subject of informed guesswork – particularly since no-one appears able to assess exactly what Bechtel's clearly lucrative deal with Kuwait will finally amount to.

Mr Rqobah says the oil fires cost $2bn to extinguish, including the purchase of $600m worth of heavy equipment which will be resold in what amounts to a spectacular boot sale. He has puts the industry's total reconstruction bill, over the next three years, at $10bn-$15bn, although external government and industry observers suggest the final figure may be little more than $5bn, including the emirate's petrochemicals plan.

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■ TELECOMMUNICATIONS

Post-war battle for market share

KUWAIT'S Ministry of Telecommunications faces a dilemma: should it repair and update the country's wrecked telecoms network or should it throw the lot out and start from scratch.

The former would be cheaper and it might be all the network needs. The latter might be a better long-term bet, particularly as the government gears up to privatisation in the next few years.

A choice between the two is essentially what is on offer from the two main protagonists in the post-war battle for market share, Ericsson of Sweden, and AT&T of the US. The government could take a mix of suppliers, although dealing with three or four separate operators and systems would require different spare parts and technical expertise.

Damage to the country's telecoms network was immense. It is likely to cost the government about $400m to repair and modernise the network. The work will take two to three years to complete. Temporary work on the system has restored domestic and international phone links, but the network is only "limping along", as one telecoms company puts it.

AT&T moved swiftly into the breach to patch up the system in the early days after the war. Now it is hoping to build its market share at the expense of Ericsson, which had just over 90 per cent of the pre-war market.

It is likely that AT&T is looking to supply about a third to a half of the post-war market. A third big operator, Alcatel, of France, is also a likely contender for a large chunk of the market.

AT&T has enjoyed only a short relationship with the Telecoms Ministry but it has built a lot of good will in that time.

It provided a new exchange and international lines via a US satellite within weeks of the war ending, enabling the first post-war international phone calls.

Ericsson carried out repairs to exchanges immediately after the war and its engineers are training Kuwaiti technicians

Ericsson, on the other hand, has a relationship going back several decades and the ministry says it has been more than happy with the service.

The company also carried out immediate repairs to exchanges immediately after the war and its engineers are training Kuwaiti technicians to continue maintenance of the network.

The Swedish company says that its old electro-mechanical equipment will have to be fully replaced, but that its second-generation AXE advanced exchanges, many of which were built in the late 1970s and early 1980s, can be fully updated.

"There is no point in the Kuwaiti government spending too much money on what they don't need," says Mr Rolf Hedenström, Ericsson's technical manager in Kuwait.

AT&T says more radical surgery is necessary and wants to modernise the whole network virtually from scratch, with AT&T equipment.

Mr Abdul Aziz Al-Ayoub, under-secretary at the Telecoms Ministry, says that both companies have as good a chance as any when the big contracts come up for tender.

Some of the contracts to replace or repair 11 of the country's 28 exchanges have been awarded, but a large part of the government's investment over the next few years has still to be awarded.

The impetus for modernisation has been driven not only by war damage, but also by the government's plans for privatisation. It wants to modernise the network over the next two years before it floats the new company.

This includes conversion to a fully-digitalised system – about half the network still operates on the old analogue technology.

Among the contracts awarded so far:

- GPT of the UK has supplied its System X system in a deal worth about $6m to replace of one of four transit tandem stations at South Sabahiya. This connects the south with the rest of the country. GPT is also supplying an initial 200 pay phones for nearly $1m.
- Alcatel of France has won a $8.57m contract to supply equipment to four switching stations. It is also supplying $4.2m in fibre optics and a $4.06m microwave system to link the switching centres.
- Sprint, of the US, is supplying value added networks, including electronic mail and conferencing.
- TCIL, the Indian telecoms consultancy, is to repair and replace $6m worth of telephones and cables.

Ericsson and AT&T have both swept up various contracts in addition to immediate repairs and maintenance. Ericsson is going ahead with a pre-war contract to provide a mobile phones system of up to 30,000 lines.

AT&T has also squeezed into the private market. The company says it is now supplying 80 per cent of the country's post-war PABX private exchanges to Kuwaiti hotels and businesses.

The deals so far are small beer against the investment to come and Kuwait's rival suitors may be just warming up for a long and difficult courtship.

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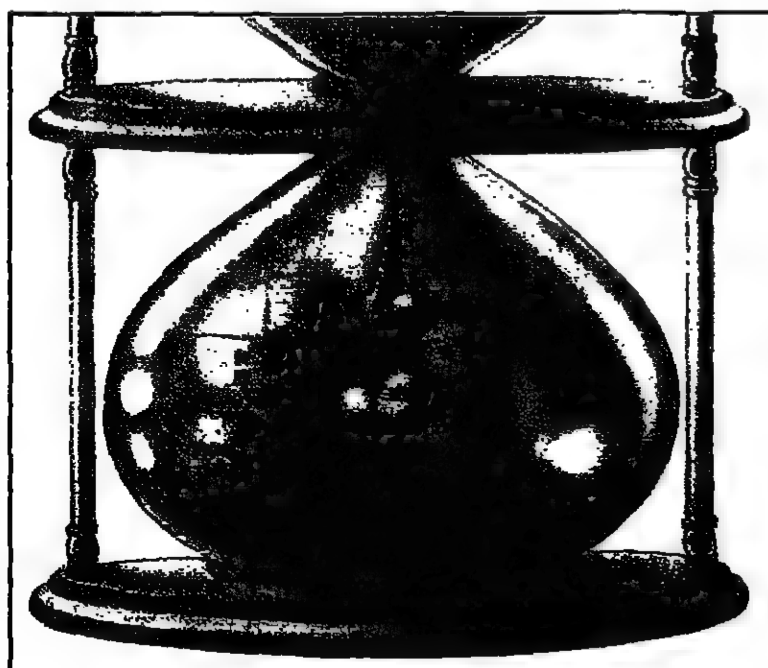

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Do Not Forget Our POWs

European finance and investment: Overview

Wednesday February 26 1992

Self-preservation is the watchword for financial institutions as they count the cost of the recession and brace themselves for stiffer competition in the European single market, writes **Robert Peston**

Consolidation not expansion

AS THE final countdown to the establishment of a single market in the European community begins, there is a distinct lack of excitement among many of Europe's financial and investment companies.

Grandiose plans to expand all over Europe are out of fashion. Even the strongest and most ambitious financial firms – such as Germany's Deutsche Bank and the UK's Barclays Bank – are consolidating their existing European networks rather than aggressively acquiring new operations.

Most financial institutions are tending their gardens. Their preoccupation in the short term is with preserving core domestic operations, which became over-extended during the late Eighties and are now suffering the ill-effects of a widespread recession.

In many cases, their capital resources have been depleted by losses and they need to enhance their profits to rebuild their balance sheets.

Paradoxically, this preoccupation with domestic markets is a response to proposals for European political and economic integration. Over the coming years there will be increasing competition between financial institutions based in different member countries, which will reduce the ability of these institutions to make near-monopoly profits from exploiting closed domestic markets. So, companies are doing their utmost to increase the efficiency of their home operations to withstand this new competition.

Banks, insurance companies and securities companies are all making severe cuts in their labour forces. Indeed, rival institutions are carrying out similar cost-cutting plans dreamed up by a handful of international management consultancies. There is therefore a growing awareness that cutting costs is not sufficient. It is a zero sum game if every institution is doing the same.

Long-term competitive advantage will be won by those which succeed in improving their management and financial controls, which are often crude compared to industrial companies' controls.

The background to many banks' long-term problems – notably those in the UK and France – is that for the past few years they have used the big profits from their retail operations, serving personal customers, to cross-subsidise other businesses such as securities trading, lending to companies and a range of overseas operations.

Because these profits were so big, banks were under little pressure to "unbundle" the range of corporate and personal services they provided, to measure precisely how much capital was tied up in particular parts of the business and thus their profitability.

But the magnitude of these cross-subsidies has become apparent in the wake of big losses recorded by banks in northern Europe on their lending to companies, notably property companies.

Substantial loan losses on corporate lending have been a feature of recent results disclosed by UK, French and Scandinavian banks. Many of these banks would be in serious difficulties without the bedrock of retail banking profits. One management issue for banks is how to improve controls over lending, to ensure they do not lend too much to dubious customers. However, progress in that respect will not be sufficient to guarantee a prosperous future for banks, since even retail banking profits are now under threat.

They have traditionally earned big profits by investing the interest-free deposits of personal customers. But over the past few years, banks – particularly those in the UK – have begun to pay interest on current or cheque accounts. This has led to an inexorable decline in the profitability of high street banking, which is likely to affect banks throughout the EC as legal barriers to competition are removed.

Technological change will reinforce this squeeze on retail profits. Branchless banking is already established in the UK, in the form of Midland Bank's First Direct subsidiary. If individuals become accustomed to doing much of their banking by telephone or using automated teller machines, then a bank should be able to expand relatively inexpensively, without acquiring branches.

The bottom line is that an enduring competitive advantage will be won by banks which succeed in analysing the costs and profitability of the many different products and services they provide. They could then use their capital to back only those businesses whose profitability is adequate.

Lloyds Bank in the UK has already demonstrated the benefits of such a strategy. In the Eighties, it eschewed low margin international lending and made no significant investment in securities trading, unlike its UK rivals. As a result, its value on the stock market is greater than all its domestic rivals other than Barclays, even though its balance sheet is around half the size of National Westminster Bank's.

In a similar way, Europe's insurance companies are being forced to concentrate on improving their core underwriting operations and increasing their efficiency.

Just as banks subsidised lending to commercial customers with profits from retail operations, so insurance companies have sustained loss-making commercial risks business – in which they insure the risks of large companies – with profits from their personal lines business and income from their investments.

However, in the past five years competition across the board has increased substantially, depressing premium levels and increasing underwriting losses. Medium-sized players such as the French mutual companies and newcomers such as the UK's Direct Line, a Royal Bank of Scotland subsidiary, have undercut slower moving market leaders by selling direct to the public and reducing distribution costs.

A number of companies – such as AGF and Axa of France – are already chasing the business of Europe's biggest companies aggressively. In addition, the recently agreed EC "non-life directives" pave the way for much sharper pan-European competition.

At the same time the downturn in the equity and property markets means income from investments and realised capital gains has declined. The fall in asset values has also damaged the industry's traditionally strong balance sheets.

So, today there is an increased emphasis on calculating the risk on policies and setting premiums accordingly.

A separate preoccupation of all financial institutions is to ensure the fairness of EC rules governing pan-European competition. Many securities firms, for example, are concerned that a forthcoming capital adequacy directive, laying down conditions on the strength of balance sheets, will increase costs unnecessarily – and perhaps give an advantage to banks which carry out securities trading business in competition with pure securities firms.

Finally, financial institutions are making plans to remodel their businesses to take advantage of the expected monetary union in Europe. The most obvious effect of a single European currency on banks would be to deprive them of some of their lucrative foreign exchange trading business.

A single currency would be accompanied by a single benchmark price for investment products throughout the EC in the form of a common base lending rate. This would bolster the trend, already noted, to pan-European competition in retail banking and insurance services.

So a common theme for the Nineties is emerging. If expansion was the aim of most financial institutions in the Eighties, self-preservation is the watchword of today.

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European finance and investment OVERVIEW 2

Peter Marsh discusses economic prospects

Investment squeeze likely to continue

ECONOMIC prospects for Europe this year look far from rosy. Many individual countries across the continent face a slowdown in domestic activity, while there is little hope of strong demand pressures from the US and Japan to help in any upturn.

With the German Bundesbank looking likely to maintain its high interest-rate policy until well into 1992, the opportunities may be limited for other countries linked by the European exchange rate mechanism (ERM) to reduce borrowing costs.

That increases the possibility of a further squeeze on investment and demand in several European countries, particularly Britain, France and Italy, whose economies are in or near recession.

But the outlook is not totally gloomy. With President George Bush in the US anxious to put the domestic economy in good shape prior to his effort to gain a second term in the elections at the end of this year, the US administration has been exerting pressure on other leading economies to loosen policy.

America's message has, it appears, found a sympathetic response in Japan, which like the US has cut official short-term interest rates in recent months. As for the Bundesbank – which has statutory authority over borrowing costs in Germany and sets the tone for monetary policy across Europe – its hard-line view on interest rates is thought likely to soften during 1992.

That would be the case particularly if signs emerge of reduced inflationary pressures and growth prospects in Germany itself.

Further ahead, Europe has to worry about two pressing issues. The efforts to integrate into the continent's trading system the fledgling democracies of what was the east European communist bloc will be an important theme over the next few years.

Another big subject is the pace of the move towards European economic and monetary union (Emu), and what this may mean for the individual nations concerned. A framework for a single European currency, administered by an all-powerful European central bank and coming into force around the end of the century, was established by the European Community nations at the Maastricht summit in December.

But doubts exist about how many EC countries will be able to meet the tough targets covering government borrowing and inflation which the summit decided must govern the eligibility of individual countries wishing to enter Emu. The strong possibility exists that many nations may find the qualification procedures for Emu too onerous. For example, long periods of high unemployment might be required in several countries if they are to meet the rigorous targets requiring a drop in public sector debt levels and lower inflation matching the German standards of the 1980s.

There is a big question mark over whether public opinion in some countries could stomach such unpleasant side effects – whatever the supposed longer term benefits – in which case the general appetite for Emu could fade away.

As for the near term, the half-percentage point increase in German interest rates at the end of last year sent tremors through the European economy. The higher German rates attracted more international funds into the D-Mark, the core ERM currency, forcing all the other ERM nations except Britain to put up their own borrowing costs to keep their currencies within permitted fluctuation bands. There has been little sign recently that the Bundesbank might feel inclined to cut rates soon.

A 6.35 per cent pay rise agreed by German steelworkers early in February is widely believed to have been above the limit the German central bank thought appropriate, given its determination to damp down the inflationary pressures sparked by reunification. The wage increase for the 130,000-strong workforce may give the green light to other key groups of German workers to seek similar rises. That, in turn, will probably strengthen the determination of the Bundesbank to keep rates high, at least over the next few months, in a bid to force down the pace of wage increases. But given Germany's traditions as the bastion of low inflation across Europe, the probability of the central bank's brinkmanship tactics paying off must be reasonably high, leaving the way open for a reduction in German rates later in the year.

If nothing else, such a turn of events might stop the German economy plunging into the kind of sharp slowdown which would be most out of keeping with what has become one of the main engines of world growth. Many economists are pencilling in growth in Germany this year of about 2 per cent, following an expansion of some 3.2 per cent in 1991 and 4.5 per cent the year before. If the Bundesbank keeps up its high rate policy for too long, the expansion this year could be still more muted.

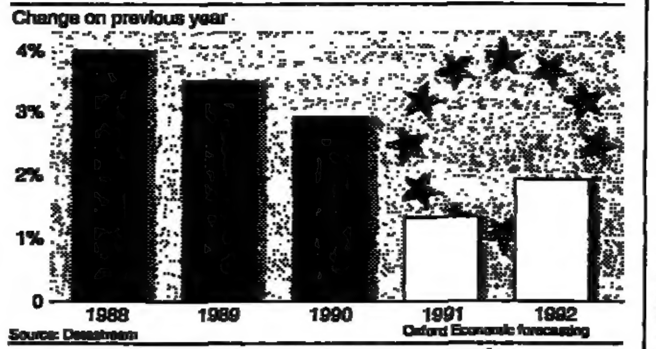
Any reduction in German rates would be greeted with a sigh of relief by many business people and politicians across Europe, as it would enable some monetary relaxation in several other countries. In Britain, a Conservative government facing an election later this year badly needs to stimulate an economy that has shown little sign of recovering from the deep recession of the past 18 months. Many believe UK output will rise by only about 1.5 per cent this year, after a fall of 2.5 per cent in 1991. It appears that to help kick-start growth the government may be considering a more expansionary fiscal policy, for instance a cut in income tax, which may be announced in the UK Budget.

Like Britain, France would dearly like the opportunity to cut interest rates. The Organisation for Economic Co-operation and Development expects French gross domestic product to rise by a sluggish 2.1 per cent in 1992, after an increase of just 1.4 per cent in 1991. There is a similar pattern in Italy which faces muted growth of about 2 per cent this year. It also – like Belgium and Ireland – faces the giant task over the next few years of cutting down on its mountain of government borrowing if it is to meet the criteria on public sector debt set for Emu.

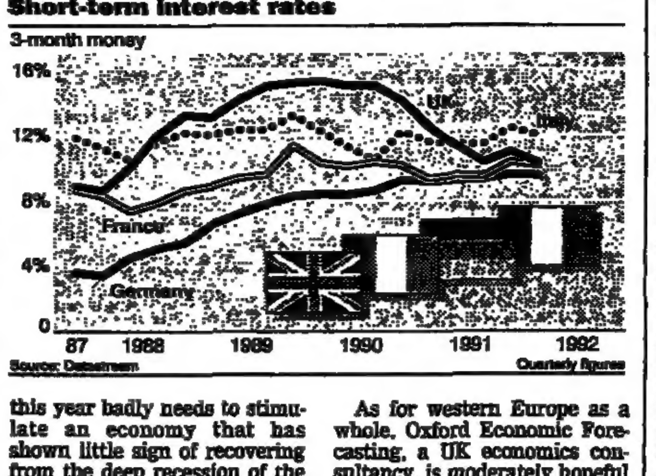
As for western Europe as a whole, Oxford Economic Forecasting, a UK economics consultancy, is moderately hopeful about 1992, projecting overall growth of 1.9 per cent across the EC nations as against 1.3 per cent in 1991. It is also reasonably bullish about world trade growth this year, projecting a 5 per cent increase in export volumes by the 24 industrialised nations in the OECD bloc. If such an increase takes place, it would be a significant advance in the relatively meagre exports growth by the OECD last year of just 1.4 per cent.

One good sign for the economy of the industrialised world as a whole is that inflationary pressures during 1992 are likely to be modest. Many believe price rises at the consumer level across the bloc will be restricted to just over 3 per cent in 1992 compared with 1991, roughly 1 percentage point lower than the change between last year and 1990. That, in turn, could provide a good basis for sustained growth later in the decade.

European Community GDP growth



Short-term interest rates



Andrew Hill on the effects of a single market

Utopian vision is still blurred

IT IS arguable whether the buying habits of the European consumer will change fundamentally at midnight on New Year's eve. The formal opening of a single European market in 1993 seems unlikely to prompt an upsurge in the number of penny-pinching Danes driving to Portugal to buy cheap fridges, or cheeseparing Germans flying to Greece for bargain replacement batteries for their BMWs.

But in the field of investment and financial services, the single market should make a huge difference: capital should move freely across borders; banks, insurance companies and securities firms should be able to set up and trade in any member state. Direct competition across borders should flourish and the consumer – whether professional or private – should enjoy an unrivalled choice of cheap insurance policies, banking facilities and brokers' fees, all available by telephone.

But practical, psychological and legislative obstacles remain before this Utopian vision can be realised.

First the good news. Legislation to establish a single market in banking services is all but complete. A series of EC measures – including the cornerstone second banking directive adopted in 1989 – has made it possible for banks to hold a single "passport" after 1992.

In essence, this means banks will be able to operate anywhere in the EC, either through branches in third countries or by offering cross-border services, from January 1, 1993. Supervision will be carried out by regulators in the bank's home country.

Forward-thinking banks have already responded to the challenges thrown up by the single market with a series of cross-border takeovers and alliances, but the collapse of the Bank of Credit and Commerce International (BCCI) – Luxembourg-based with branches throughout the EC – has made some observers anxious about the safety of such financial spiders' webs. Brussels is backing up the initial thrust of its legislation with further measures aimed at harmonising specific minimum prudential standards throughout the Community, including directives on supervision and deposit insurance.

The Commission is also working with missionary zeal on a part of the single market – payment systems – which was almost forgotten in the rush to create the single passport. The volume of payments across frontiers is likely to increase substantially from next year, but at the moment there are few direct cross-border links between banks, making transfers and settlements time-consuming and unnecessarily costly. The Commission expects to put pressure on banks to set up a more efficient system, perhaps with linked automated clearing houses in each country, by the end of this year. If they fail, Brussels will legislate in this area too.

In investment and financial services, the single market should make a big difference

Progress has also been swift in the insurance market. From mid-1994, non-life insurance policies will be available to consumers from companies anywhere in the EC, and work is under way to reach agreement on the equivalent legislation opening up the life assurance market. Two more insurance directives were adopted at the end of last year, which should ensure the comparability of insurance company accounts across the Community and setting up a committee to supervise implementation of EC insurance legislation.

In theory, the benefits to the consumer should be great. According to a survey by the main European consumers' association earlier this year, fixed term life assurance can cost eight times as much in Portugal as it does in the UK. But the same survey also pointed out the practical and psychological difficulties facing consumers who want to buy across borders. Linguistic difficulties, lack of information, inconsistent consumer protection rules and sheer lack of Euro-enthusiasm on the part of some companies were likely to hamper the project, said the association.

The biggest disappointment for Sir Leon Brittan, the EC commissioner responsible for financial services, has been in the securities field, perhaps the area where the single market's largest consumers – investors and corporate predators – buy and sell.

The investment services directive, which would allow securities firms to operate anywhere in the Community, has been a priority item on the agenda of ministers' meetings since June 1990. For three successive EC presidencies – Italy, Luxembourg and the Netherlands – high-level working groups have thrashed out the issues, but never reached agreement.

The British lead a group of countries pressing for more liberal regulation of stock markets, particularly in the key area of transparency – that is, the speed and method by which stock market trades are made public. In the vanguard of the opposing group is France, which would like there to be tight control over markets.

Recent developments have kept hopes of an agreement alive – just. Having been bogged down for months, the related capital adequacy directive – which would establish common capital standards for European securities operations – has begun to gain momentum, nudged along by international agreement between feuding bank and securities regulators in January. Success with capital adequacy rules could improve the chances of the investment services directive. Some national officials in Brussels also believe that the British camp is beginning to break up, which would make a majority compromise possible.

But to the disgust of advocates of the directive, the UK itself – led by corporate affairs minister Mr John Redwood – shows no signs of cracking. Indeed, Mr Redwood indicated in February that the offending measure might be dropped from the single market programme during the British presidency, which begins in July, if an acceptable agreement could not be reached.

It is now almost impossible for EC members to harmonise their securities markets before the 1993 deadline, but in this as in other areas of financial services evolution will not come to a halt next year. The demise of the current investment services directive might not greatly upset the City of London's market-makers, who would be threatened by a French-style regulatory system. But Commission officials grimly point out that another presidency and another commissioner could always table a new investment services directive at a later date – one which might be even less to the UK's liking.

Foreign bankers in London criticise legal and regulatory structure

Scandals mar City's image

A STRING of scandals – the collapse of Polly Peck, the Bank of Credit and Commerce International and the Maxwell Empire – could not have come at a worse time for the City of London.

Just when the City is trying to persuade other European financial centres to adopt its practices, these frauds have led some financial institutions to question whether the City is the best model for European markets.

Many foreign banks have suffered heavy losses in their British operations over the past two years, much of the losses resulting from these corporate failures.

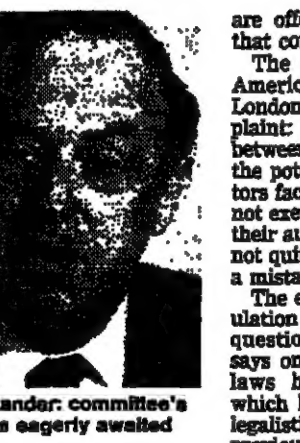
The reactions of these banks vary according to their national origin and their individual strategies. Nonetheless, most say that the prestige of London has been damaged and that they are likely to scale down their activities. However, a massive exodus is unlikely.

Most foreign banks blame the severe UK recession for the scale of their loan losses, which in some cases compare in size with those of UK banks. But others raise questions about the legal and regulatory structure.

Their criticism is not always accurate or fair. But it demonstrates that the City has developed an image problem.

Foreign banks began to criticise the legal structure just over a year ago, when the House of Lords ruled that all swap deals – complicated financial transactions – carried out with local authorities were illegal. Many foreign banks had been involved in this market and they therefore faced huge losses as a result of the ruling.

Bitterness persists. "We thought London was a free market, where innovation was possible," says the managing director of one Continental institution. "Then the Lords decided that deals made openly for years should never have taken place!"



Lord Alexander: committee's report was eagerly awaited

An American banker makes a similar point: "Obviously, foreign institutions are very concerned if financial transactions they have undertaken in good faith have unexpected legal consequences. We thought we knew the British legal system pretty well. But now, we have to wonder what will happen when trying out other inventive types of transactions."

More recently, UK accounting and auditing standards have become a target of criticism from overseas bankers who profess astonishment at the way in which various leading British groups have collapsed. The problem as they see it is that accounting rules are much more relaxed in the UK than elsewhere making it easy to overstate profits or assets.

Auditors, who approve the accounts of companies which have later collapsed, are criticised severely. Some bankers are concerned that accounting firms may not be sufficiently rigorous when conducting an audit, if, at the same time, they are offering other services to that company.

The chief executive of an American merchant bank in London makes a separate complaint: "There is a difference between the UK and the US in the potential liability the auditors face if it is shown they did not exert sufficient diligence in their audit. So, UK auditors are not quite so terrified of making a mistake".

The evolution of market regulation since Big Bang is also questioned. Since Big Bang, says one German banker, new laws have been introduced which have put business on a legalistic basis which did not previously exist when he City operated to the code My Word is my Bond

The regulation of the City is thus viewed as being too much and too little. Too much, according to an American financier, because it is much more expensive to abide by than in France or Germany, but too little in the pension funds area, where the lack of regulation was exposed by Mr Robert Maxwell's plundering of his companies' pension funds.

As for the role of the Bank of England, some foreign banks compliment the Bank on its efficiency in the territory it covers, but wish it had broader responsibilities. Continental bankers are occasionally wistful about the more interventionist policies of their own central banks, which often play a more active role in preventing large corporate collapses.

Other bankers also regret that there is not a central register of borrowings in Britain, as there is in all big continental European countries. Such a register, which records all bank loans to large companies, could have prevented lending to the Maxwell empire running out of control, since bankers would have been alerted earlier to the overall size of the debt. A German banker says: "If there had been such a register, the Maxwell disaster would have been impossible."

Sharp and wide-ranging as these criticisms may be, they should be viewed cautiously. The anger among foreign bankers is clearly related to the size of their losses from doing business in the UK.

That prompts the suspicion that by attacking the City's practices, bankers are trying to excuse their responsibility for making some imprudent loans in the British market.

Banks also tend to react differently according to their nationality. French banks are the most vocal critics of London. Part of the explanation might be that in the 1980s they increased rapidly their exposure in the UK – their aggregated loans to the Maxwell empire were second only in size to those of the British banks.

Another factor might be their disillusionment which followed their great admiration for London and its Big Bang.

German bankers tend to take a softer line and put the emphasis more on the UK economy: "As German banks," says one of them, "our view is that the UK environment is missing the solid economic basis we are used to."

Americans take a more phlegmatic view. "In the last resort, it's up to the banks to protect themselves against crooks and to have a better knowledge of the market," says the head of an American institution in London, before adding that Tokyo and New York have problems, too.

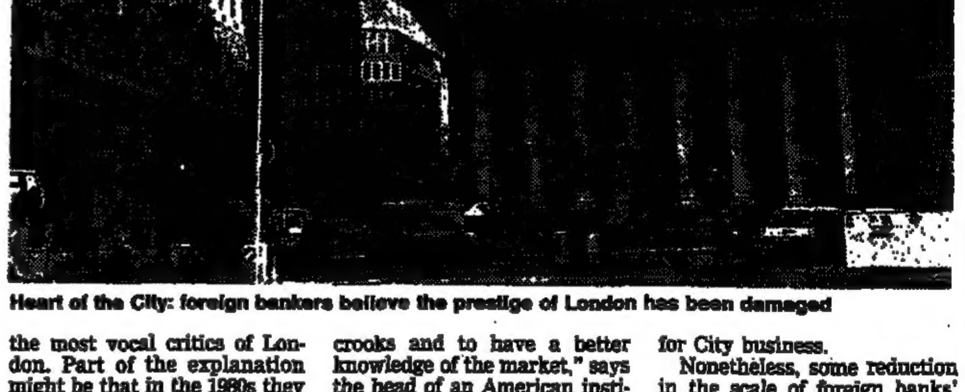
Even the most outspoken critics do agree with this last point: the regulatory and legal structure is not necessarily better elsewhere.

The Foreign Banks Association is talking to the Bank of England about the possibility of setting up a register of borrowings. Foreign banks had also been awaiting with great interest the preliminary report, published last week, of the committee, under the chairmanship of Lord Alexander, the chairman of National Westminster Bank, set up to investigate possible pitfalls and loopholes in the UK legal structure for City business.

Nonetheless, some reduction in the scale of foreign banks' activities in the UK is likely, with foreign institutions becoming more cautious and scaling down their operations. "They will have to keep their presence in London, but they will not expand as they might have done," says an American banker.

The role of London as an international financial centre, for foreign exchange or Euromarkets should not be affected but British companies might find it more difficult to get credits from foreign banks which, two years ago, were desperate to lend.

Patrick de Jacquelot
London correspondent, Les Echos



Heart of the City: foreign bankers believe the prestige of London has been damaged

Richard Lapper on progress towards a single insurance market

Barriers fall across Europe

SLOWLY but surely a single European market in insurance is emerging. Over the past two years several important planks in the European Community's legislative programme have been put in place, establishing the basis for genuine cross-border trading. And European insurance companies are adapting their strategies to take into account the new opportunities as the barriers between a series of distinctive national markets fall.

The approval in 1988 of the so-called "second directive" for non-life insurance opened the way by liberalising the market for commercial risks insurance, allowing all companies above medium size (with balance sheets of more than Ecu17m, net turnover of Ecu33m and more than 500 employees) to buy their policies from insurers established in any member state.

Most countries have now implemented the national legislation needed to bring the directive into effect and already there has been something of an opening up. Traditionally fierce competition for the custom of medium-sized industrial companies in the French, British and German markets has intensified, for example, and in areas such as credit risk insurance Dutch and German companies have taken advantage of the new opportunities to attack the UK market.

Shortly before Christmas last year European Community ministers approved another significant plank of legislation: the third non-life directive which extends this more open regime to the domestic market. Householders and motorists across the Community will eventually be free to buy their insurance from companies licensed by any one member state.

Most member states have until 1994 or 1995 to implement the new rules although the weaker industries of Portugal, Ireland, Spain and Greece have been given longer to adapt and will not need to implement the new rules until later in the 1990s.

Progress in the life insurance market, where differences in regulatory and tax regimes makes harmonisation more difficult, has been slower. Here too it is intended that the ideas of a single licence – that companies registered in any one member state should be free to sell their products across the community – should pave the way for a continental market.

At present, under the terms of the second life directive individuals can buy life policies from companies registered in other member states but must do so "on their own initiative".

Some UK companies, whose endowment plans are attractive in comparison with many of their European counterparts, have made modest inroads into the German market for example.

In the short term the Commission believes its planned directives should benefit companies from countries with less burdensome regulation, such as the UK. Over the longer term, increased competition is expected to lead to harmonisation of regulatory frameworks across the Community.

Although differences in national tax treatment mean imperfections will remain, a further directive – on insurance company accounts – will at least make the differences more transparent when introduced. Accounting practices in continental Europe emphasise prudential considerations, allowing companies to offer the most cautious and conservative interpretation of their performance than is common in the more open markets of the UK, Ireland and the Netherlands.

As the market emerges the continent's leading companies are increasingly accepting the fact that Europe as a whole will eventually represent their home market.

Two quite separate strategies have emerged. On the one hand the continent's stronger companies have begun to acquire subsidiaries in those member states where it has as yet no presence. Other companies have opted to form alliances – sacrificing a degree of control in order to use capital more efficiently. Alliances have become popular both because of the increasing cost of outright acquisition and as a means of defence by some weaker players.

Allianz of Germany epitomises the first trend. Its drive to acquire subsidiaries in most European markets was signalled by its unsuccessful bid for Eagle Star of the UK in 1984. Subsequently, though, Allianz bought the Cornhill (the UK's 10th largest insurer) in 1986, bought RAS, Italy's number two, in 1986, and purchased France's Rhin et Moselle in 1989.

French companies have also followed the acquisition route. Groupe des Assurances Nationales, Assurances Générales de France and the Union des Assurances de Paris, have all been helped by the encouragement of their major shareholder – the French government – which has stressed the strategic importance of expansion. GAN has made two acquisitions in the UK for example, UAP has built stakes in the UK's Sun Life and Belgium's Royal Belge. AGF recently acquired a stake in Spain's Union y El Fenix. Victoire, the privately-owned company, in which the French government has an interest via a minority stake held by UAP, paid some DM3.85bn to take over Colonia, Germany's second biggest insurer in 1989.

Victoire/Colonia is at the heart of an impressive network, which also includes Baltica, in Denmark, Nordstern in Germany and Nieuw Rotterdam in the Netherlands.

Partially in response to aggressive foreign interest, some companies have combined forces. The merger of Nationale Nederlanden and NMB Postbank in 1991 was mainly motivated by the defensive considerations of two companies that have a substantial share of their own restricted domestic markets.

Similar considerations influenced Belgium's AG to merge with Amev of the Netherlands last year.

Last year three medium-sized insurers – Wasa of Sweden, Centraal Beheer of the Netherlands and Topdanmark of Denmark – agreed to build up a jointly-owned European holding company into which they would pool all their subsidiaries outside their home markets. Friends Provident, the UK life insurer, has subsequently joined the alliance, entitled Eureko.

But perhaps the most important recent development has been the decision by three leading European companies – Royal Insurance of the UK, Aachener & Muenchener of Germany and Fondiaria of Italy – to follow the Eureko example. Royal has been hit by losses and its weakened balance sheet makes it a prime target for takeover. AMB, Germany's third biggest insurer, faces huge losses as a result of its acquisition of a loss-making bank in 1987 and has been stalked by the French company AGF. Fondiaria has fewer short-term problems but has virtually no presence outside its own domestic market.

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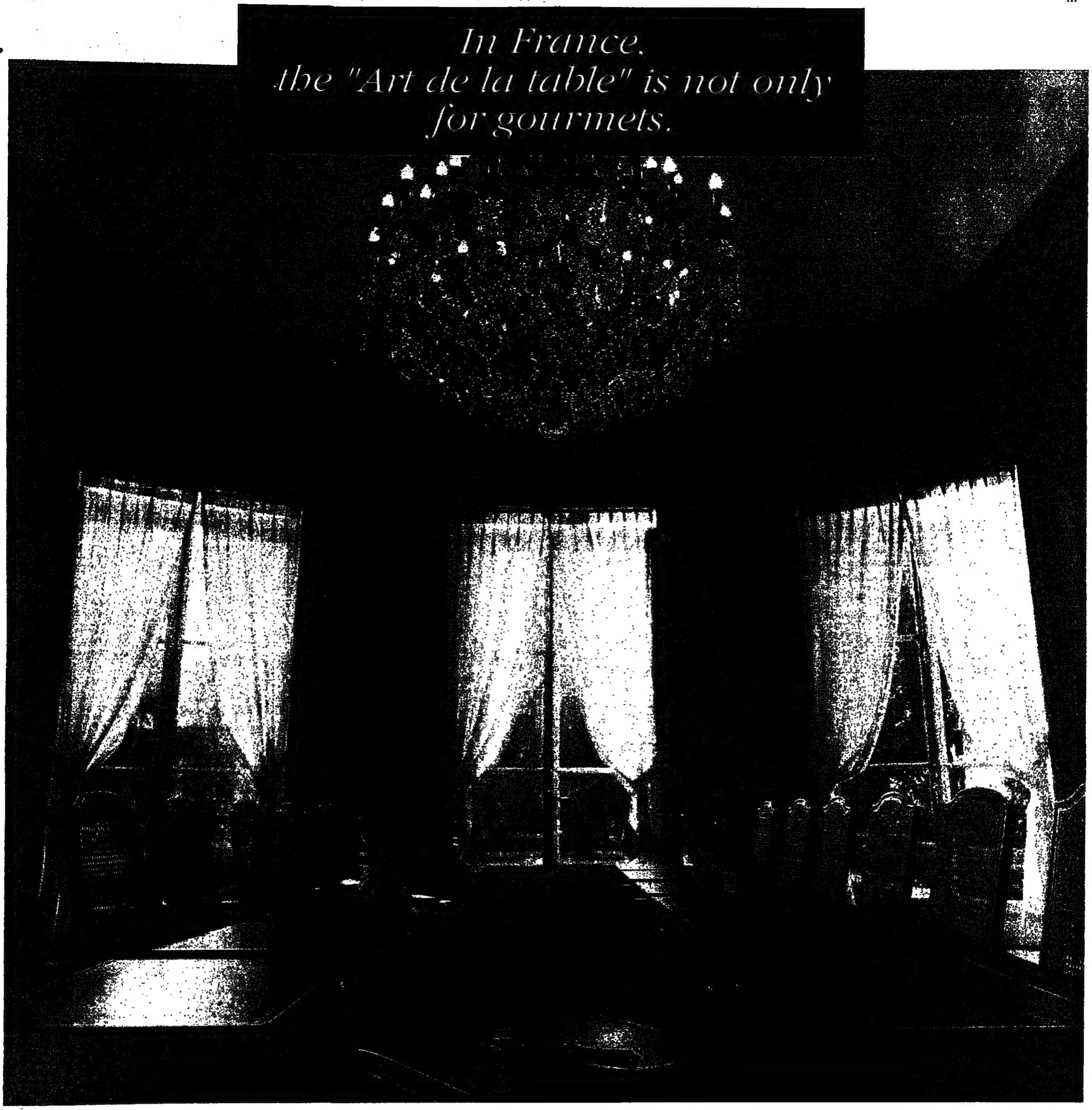

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Talk about a single stock market continues, but . . .

Vision of a grand strategy fades

A YEAR ago, the European Community's stock exchanges were at each others' throats in a thinly disguised squabble over whether or not to co-operate on developing a single European stock market. That venture – known as Euroquote – came to nothing, just as a similar project had been scrapped several years before.

This year, the diplomats of the Euro-financial world are going about things rather differently. There have been no grand visionary pronouncements about the shape of the European market to come, and no public tiffs. But the talking is going on just the same.

Three things are different this time around. The first results from the fall-out over the Euroquote debacle. This established that there was no point in the various exchanges getting together to build a new price-dissemination system for Europe when plenty of existing systems could either already do the job, or be developed to do it. Re-inventing the wheel was not something that the UK and Germany, in particular, wanted to do.

As a result, discussions are unlikely to return to the subject of how to build a common market infrastructure – at least not until there is agreement on what the common market should be. That gives any discussions that take place a more sensible grounding.

The second change has been an apparent cooling of hostilities over the EC's proposed Investment Services Directive. Initially conceived as a step to give non-bank investment firms a "single passport" to operate across the Community, the ISD had dissolved by last year into a fight over rival market structures.

One side was driven by the belief that investors are best protected if trading is centralised on to national exchanges, and trade publication rules tightened: the other, by the view that free-wheeling, cross-border professional markets (such as that for Eurobonds) thrive if left to take care of themselves. That ideological divide (some say it was fuelled by competitive pressures) now seems less stark than it did.

This is partly because cultural differences between national investment practices are being eroded. For instance, many continental stockbrokers are looking forward to the time when they have home-grown pension funds similar to those in the UK or US. As investment patterns converge, regulations and market structure will follow.

International stock market comparisons: turnover 1991 (£m)

Exchange	Jan-Sep
Amsterdam[1]	17,083
Athens[1]	1,206
Brussels	3,143
Copenhagen	4,513
Dublin[1]	1,203
Fed German exchanges[1]	181,181
Lisbon	476
London[1]	244,441
Luxembourg	82
Madrid	17,517
Milan	12,253
Paris	48,063

1 Turnover has been halved for comparison purposes.
Source: Federation of EC Stock Exchanges

Another reason is that competition is driving market practice closer, as national markets copy and (where possible) improve upon the most successful practices of other European centres. Take France, which has officially been in the vanguard of the fight to re-regulate markets: its stockbrokers have recently been agitating for greater deregulation.

The more developed continental markets become, the more willing their national market authorities will be to discuss co-operation

This is because Europe already has a thriving deregulated international share market, conducted by telephone in London and supported by the SEAQ International price quotation system. Its success seems to indicate that, whatever the regulators rule, there will always be a demand for a professional market relatively free of externally-imposed regulations. If the EC outlaws it, then financial centres such as London say the market will simply move offshore and the EC will be the loser.

The future of the Investment Services Directive has yet to be resolved. But the forces at work behind the scenes suggest that tensions over this issue could gradually ease.

The third change lying behind this year's discussions between European exchanges is the fact that individual national markets in the EC have moved ahead with their own market reforms. These have taken two broad forms: deregulation and automation.

Germany, for instance, has achieved some modest success with its new version of the Ibis screen-based dealing system. As more business is done on Ibis, so more banks are prepared to use it. One leading London house reports that it now does around a quarter of its German share business on Ibis, compared with 10 per cent a year ago. That reduces the need for Seaq International.

The more developed continental markets become, the more willing their national market authorities will be to discuss co-operation. This is because, until now, their relative lack of development has left them feeling vulnerable to London: none has felt confident negotiating from a position of weakness.

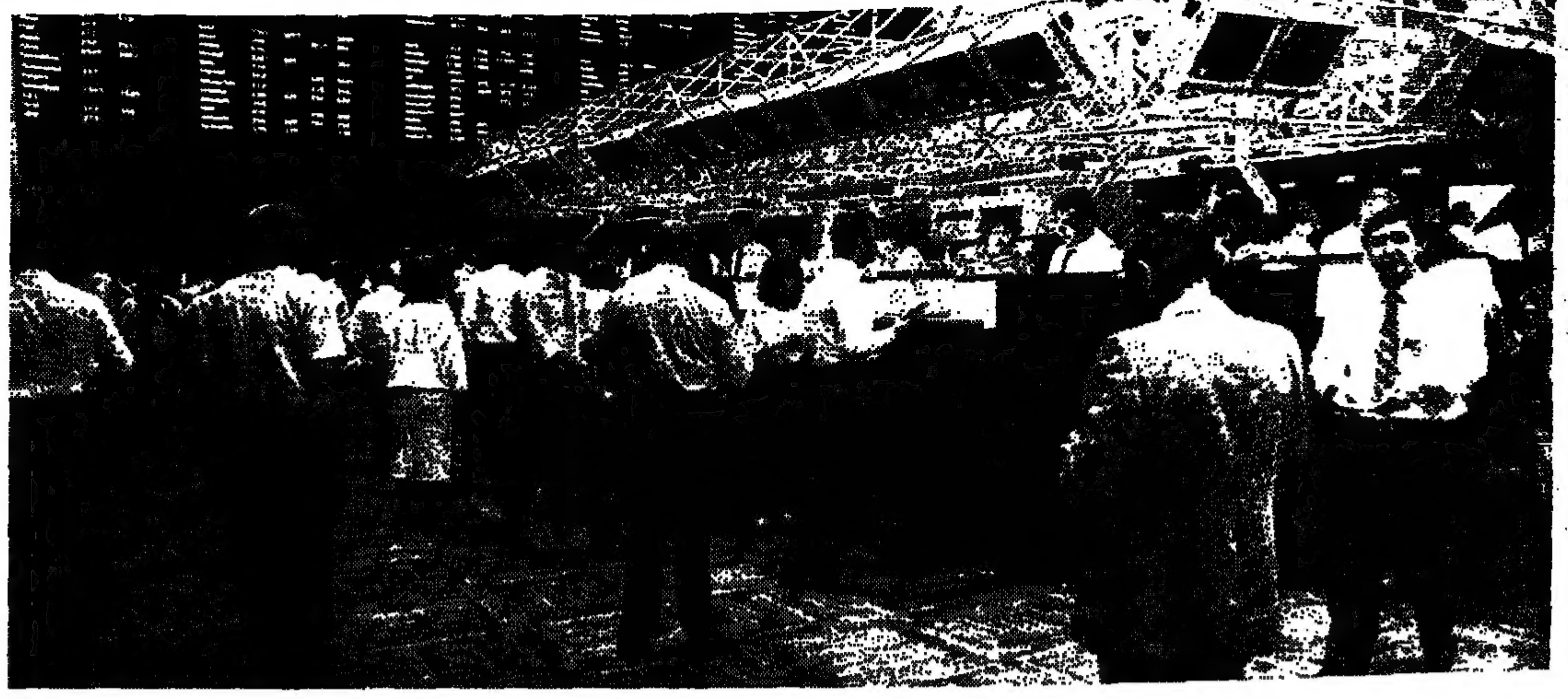
Discussions about co-operation between national exchanges are already under way on a number of fronts. Work is in train to bring national listings requirements closer together to make it easier for companies to be listed across European markets, for instance. The national markets already pool statistics.

These developments could be the low-key forerunner to further co-operation. As Mr Rudiger von Rosen, vice-chairman of the Federation of German Stock Exchanges, says: "They might not look as spectacular as Euroquote, but everyone is glad they are going ahead."

Reviving Euroquote is "definitely not a topic that will come up in 1992", he adds. But if market participants demand extra services, the exchanges say they are ready and willing to act. That could happen either through bilateral arrangements (such as the sharing of prices, which already happens between Paris and Frankfurt) or multilaterally, says Mr von Rosen.

Demand from investors and European companies may yet bring the exchanges back to the table to discuss a grander strategy. At present, though, it has yet to happen.

Richard Waters



Frankfurt stock exchange: some modest success with its new version of the Ibis screen-based dealing system

Profile: BANCO DE SANTANDER

Ambitions widen across the world

LAST YEAR Mr Emilio Botin, chairman of Banco de Santander, sold a bank network in Spain and bought a sizeable stake of a US bank. He told Santander's annual general meeting this month that he was "very satisfied" with the investment.

Santander is not going to disinvest from Spain in order to concentrate on global banking. The domestic market remains very much the foundation of the group's business and this was underscored by the opening of 107 Santander bank branches in Spain last year and by the launching, with considerable publicity, of innovative mutual fund products.

But 1991's twin developments, on the home and the external fronts, were a clear indication of widening ambitions; Mr Botin stressed to shareholders the growing internationalisation of the Santander group.

By the end of last year, 36 per cent of the group's assets were based in a total of 27 foreign countries. The assets, a combination of subsidiary banks, finance companies and branches of the parent bank, contributed some $200m, or 27 per cent to the group's consolidated profits.

The objective, according to Santander's chairman, is to lift the non-Spanish contribution to the group's income, from diversified businesses in different countries, to 33 per cent of the total. With such a target in mind acquisitions and investment are more likely to be abroad than on the domestic front in the coming months.

Santander certainly has a treasure chest to draw on should it wish to buy. It raised its net profits by 17.8 per cent last year to Pta75.1bn ($777m), increased its Return on Assets (ROA) from 1.30 per cent to 1.36 per cent, put aside Pta64bn as provisions for reserves, an amount that doubled the non-recurring profits generated last year, and augmented its BIS capital adequacy from 10.5 per cent two years ago to 13.2 per cent in 1991.

Last year Santander paid $230m to acquire 13.5 per cent of First Fidelity Bancorporation, the 23rd largest financial group in the US, with an option to increase the equity to 24.4 per cent. It was the first Spanish bank to step meaningfully into the US market and a subsequent placement of $150m preferential share on the American market fuelled expectations that it was seeking further properties in the US.

Other European banks acquiring US institutions have encountered mixed fortunes. Mr Botin attributed the success of the First Fidelity venture to three principles: Santander paid a satisfactory price for its equity, it limited its capital commitment and it supported a skilled management team which was already in place. Only two Santander nominees joined the First Fidelity board and both were senior group executives with long track records in US banks.

Emilio Botin: stressed the growing globalisation of the group

Back at home, Santander sold Banca Jover, a subsidiary based in Catalonia, to Crédit Lyonnais, the French giant which had a year earlier bought another Santander network, Banco Comercial. The group still owns Banco de Murcia, a profitable 66-branch network in south-east Spain, and Mr Botin says that "if the price is right" he sees no reason why this subsidiary should not be likewise sold to either domestic or foreign buyers.

No less important to the international profile of Santander group are the manner in which it has built on its traditional activities in Latin America and the onset of wholly new business prospects in Europe that result from the parent bank's now four-year-old alliance with Royal Bank of Scotland.

The group was quick to focus on financial possibilities in Mexico where it earned goodwill by providing $100m of financing in the privatisation of Banamex, one of the largest privatisations in Latin America.

Last year, Banco Santander de Negocios, the group's merchant bank offshoot, was awarded the underwriting for the first Pta10bn issue of Matador bonds for the United Mexican States. There followed a second issue of Matador bonds for the Interamerican Development Bank at the end of last year and a third, last month for the Banco Nacional de Comercio Exterior de Mexico.

In what is evidently a strategy that the group will pursue in other Latin American climates, Santander broadened its retail banking activities in Chile by consolidating its life insurance and leasing subsidiaries and by setting up Chile's first factoring company.

In Europe the bank's pet project is IBOS, an acronym for Interbank On-line System. This electronic banking venture, has been developed jointly with the Royal Bank of Scotland, a bank in which Santander owns a 10 per cent stake under a cross share agreement, and Mr Botin hails it as the "most innovative and efficient (project) of the European Single Market".

A sophisticated update of an existing real-time banking interconnection between Santander and the Royal Bank of Scotland, IBOS has already been introduced into Banco de Comercio e Industria in Portugal and CC-Bank in Germany which are both jointly owned by Santander and Royal Bank of Scotland. The plan is to allow access to the system for as many banks as wish to join the network.

Tom Burns

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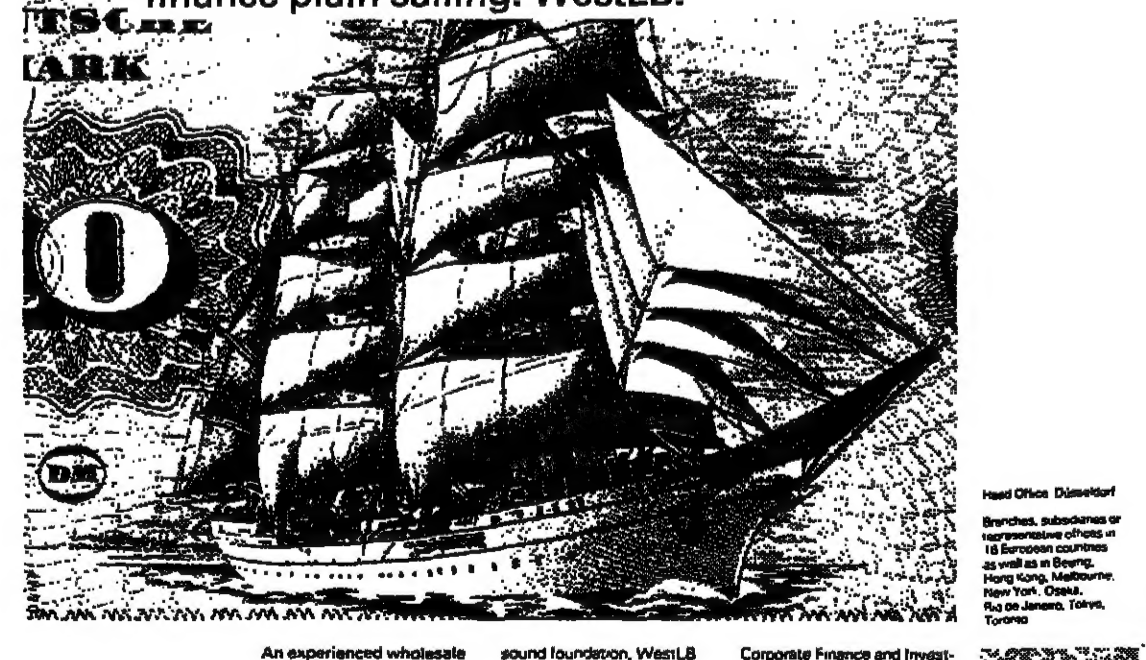

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Simon London on a change in the pattern of corporate funding

Bond markets still buoyant

THERE was a marked change in the pattern of corporate funding in Europe last year as companies moved away from large syndicated bank facilities, favouring instead simple funding raised from investment institutions and simple bilateral bank loans.

Only $94.4bn was raised in the European syndicated loans market last year, down from $163.3bn in 1990. In part this reflects a fall in demand for bank finance as many western European economies moved into recession.

As a provider of stand-by lines of credit, for example, the syndicated banking market is the natural source of acquisition finance.

As acquisition activity has fallen away, so the number of companies seeking bid finance has decreased.

But the decline in syndicated lending also stems from pressure on banks themselves to rebuild margins following the excesses of the 1980s. This has increased the cost of bank finance, leading companies to examine other alternatives.

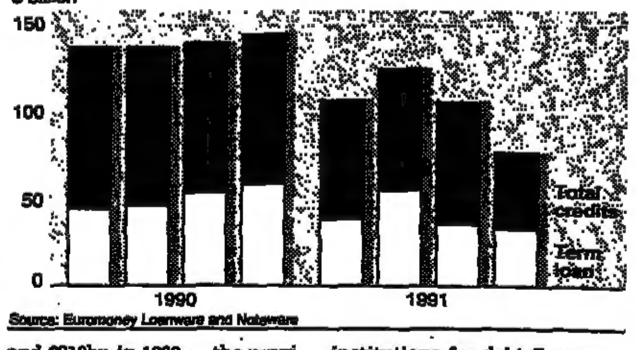
Some correction in pricing was undoubtedly due. At the peak of the "borrowers' market" in the late 1980s, banks were fighting each other to participate in blue-chip corporate loans. Margins fell to an impossibly fine level.

In 1987, BTR, the UK industrial group, secured £1bn 5-year committed funding at a margin of 7.5 basis points over the London interbank offered rate. The margin on similar transactions has since at least doubled, with fees rising by a similar proportion.

While the number of syndicated credits has fallen sharply, the bond markets have remained a ready source of finance for large European corporations.

In the international bond market alone, companies, governments and supranational agencies raised $230bn last year, up from $161bn in 1990 and $210bn in 1989 – the previous record.

Syndicated loans



Source: Euromoney Loanware and Noteware

Like the weakness of the loans market, the buoyancy of bond markets is partly due to cyclical factors: as interest rates have declined in many economies, investors have been switching funds into bond market investments. While the cost of bank finance has risen, yield spreads in the bond market have fallen to attractive levels.

However, the cyclical buoyancy of bond markets also overlays a longer-term switch by companies in favour of funding provided by investment institutions such as insurance companies and pension funds.

Problems experienced by large companies, such as News Corporation, in re-structuring complex banking facilities has underlined that over-reliance on a single source of finance can be dangerous. The diversification of funding is being pursued by corporate treasurers across Europe.

However, only the biggest companies can tap the public Eurobond market. Bond issues usually have to be of a certain size and liquidity – around $150m equivalent – to attract investors.

One of the biggest challenges for corporate financiers has been to find a way for smaller companies to tap investment institutions for debt finance.

An increasing number of European companies are raising debt finance in the US, placing "tailored" debt securities with institutional investors. The size of US debt placements has grown: large European companies, such as Allied Lyons, have raised $400m from a single placement of bonds.

The potential of the market for European companies is huge. Of the $160bn new paper placed last year, foreign companies accounted for just 5 per cent.

UK companies have been most active, not least because UK accounting conventions are at least adjacent to US rules. However, following aggressive marketing by US banks keen to drum up business, companies from France, Holland and Germany are not far behind.

Those UK companies which have tapped the market – such as Pilkington and NFC – often use the proceeds to repay bank debt. In an environment where bank credit is seen as more restricted and less reliable than in the past, institutional funding has a utility over and above its competitiveness in terms of cost.

Within Europe, the private placement market has been largely replaced by the use of medium-term notes. An MTN programme allows companies to issue bonds, usually of between one year and 30 years' maturity, under a single legal framework, placing securities denominated in a range of currencies as pockets of demand are identified. As in a commercial paper programme, liquidity is provided by a number of dealing banks tied to the programme.

New European medium-term note programmes set up last year amounted to $42bn, up from $31bn in 1990.

It remains to be seen whether European investment institutions will continue to embrace the MTN market with any enthusiasm. While MTNs offer investors a supply of assets tailored to match specific balance sheet requirements, the perceived illiquidity of the instruments has always been seen as a drawback.

These factors mean that most corporations, even the largest, remain reliant on bank facilities to manage short-term liquidity.

But styles of bank borrowing have changed. Bilateral loans are replacing complex, syndicated multiple-option facilities. A more diffuse pattern of funding is now seen as a prudent response to the retrenchment of banks.

BP, the UK-based oil company which is seen as a bellwether of corporate treasury activity, last year replaced syndicated bank facilities with a series of bilateral loans, dramatically reducing the number of banks with which it deals. Other companies are following the same pattern.

Corporate treasurers note that there is an inherent refunding risk in having £1bn bank finance falling due on one day. In addition, the largest companies realise that they have greatest leverage over lenders when business is concentrated with just a few key institutions. More bank lenders does not necessarily mean less risk.